Scotiabank

1994 ANNUAL REPORT

BANKING ON STRENGTH

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The Bank of Nova Scotia is incorporated in Canada with limited liability.

A limited quantity of spiral-bound Annual Reports is produced by the Bank to facilitate repeated use of the document throughout the year by members of the financial community.

Scotiabank
THE BANK OF NOVA SCOTIA

Executive Offices, Scotia Plaza, 44 King Street West, Toronto, Ontario, Canada M5H 1H1

NOTICE OF 163RD ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual Meeting of Shareholders of The Bank of Nova Scotia (the "Bank") will be held in The Nova Scotia Ballroom, Sheraton Halifax Hotel, Halifax, Nova Scotia, on Tuesday, January 17, 1995, at ten o'clock a.m. (Atlantic time), for the purposes of:

(1) receiving the financial statements of the Bank for the year ended October 31, 1994 and the Auditors' Report thereon;

(2) electing Directors;

(3) considering and, if thought fit, confirming an amendment to Section 3.23 of By-law No. 1 providing for an increase in the Appropriation for Directors' fees;

(4) appointing auditors; and

(5) transacting such other business as may properly be brought before the Meeting.

By order of the Board

R.P. Gerad

Toronto, Ontario
December 5, 1994

R. Peter Gerad,
Senior Vice-President and Secretary

Shareholders who are unable to attend the Annual Meeting of Shareholders are requested to complete the accompanying form of proxy and return it in the enclosed envelope. In order to be valid, the proxy must be deposited at the office of the Bank's transfer agent, Montreal Trust Company, at 151 Front Street West, 8th Floor, Toronto, Ontario M5J 2N1, not later than January 13, 1995.

THE BANK OF NOVA SCOTIA

MANAGEMENT PROXY CIRCULAR

(Information as of November 14, 1994, unless otherwise indicated)

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by the management of The Bank of Nova Scotia (the "Bank") of proxies for use at the Annual Meeting of Shareholders (the "Meeting") of the Bank to be held at the time and place and for the purposes set forth in the attached notice of Meeting. The solicitation will be primarily by mail but proxies may also be solicited by persons ordinarily employed by the Bank and by the Bank's agents, Montreal Trust Company (a wholly owned subsidiary of the Bank) and ADP Independent Investor Communications Corporation. The nominal cost of solicitation will be borne by the Bank.

APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are directors of the Bank ("Directors"). **A shareholder may appoint some other person as proxyholder (who need not be a shareholder) to attend and act on his/her behalf at the Meeting and any adjournment thereof** by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, returning the completed proxy in the accompanying envelope. In order to be valid, the proxy must be deposited with the Toronto office of the Bank's transfer agent, Montreal Trust Company, not later than January 13, 1995.

A proxy given by a shareholder for use at the Meeting may at any time prior to its use be revoked by an instrument in writing executed by the shareholder or his/her attorney authorized in writing and deposited either at the head office of the Bank at Halifax, Nova Scotia, at any time up to and including the last business day preceding the day of the Meeting or adjournment thereof at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting or adjournment thereof, or in any other manner permitted by law. If a proxy is revoked and not replaced by a proxy that is deposited with the Toronto office of the Bank's transfer agent, Montreal Trust Company, on or before January 13, 1995, then the shares represented by such revoked proxy may only be voted in person by the shareholder at the Meeting.

VOTING BY PROXIES

Shares represented by properly executed proxies will be voted or withheld from voting on any ballot that may be called for. The execution by or on behalf of a shareholder of the accompanying form of proxy confers discretionary authority on the proxyholder to vote as he/she sees fit in respect of each of the matters identified in the notice of Meeting in the event that the shareholder fails to specify the manner in which the shares are to be voted on each such matter. If a choice is specified with respect to any matter to be acted upon at the Meeting, shares represented by a properly executed proxy will be voted accordingly. **If no choice is specified, the persons designated in the accompanying form of proxy intend to exercise their discretion to vote such shares FOR: the election of the nominees for Directors; the confirmation, by special resolution, of an amendment to Section 3.23 of By-law No. 1; and the appointment of the auditors named herein.**

The execution by or on behalf of a shareholder of the accompanying form of proxy confers discretionary authority upon the proxyholder in respect of amendments to matters identified in the notice of Meeting and other matters that may properly come before the Meeting. At the date hereof, the management of the Bank knows of no such amendments or other matters to be presented for action at the Meeting other than the matters referred to in the notice of Meeting.

Under present policy, proxies are to be returned to the Bank's transfer agent, Montreal Trust Company, whose Stock Transfer Services division counts and tabulates the results which are subsequently verified by the scrutineers of the Meeting. Proxies are only referred to the management of the Bank when they contain comments intended for management or when it is necessary to do so to meet applicable legal requirements.

VOTING AND OWNERSHIP OF SHARES

The Bank has fixed December 2, 1994 as the record date for the determination of shareholders entitled to receive notice of the Meeting. As of November 14, 1994, there are outstanding 226,258,775 fully paid common shares of the Bank, all of which are entitled to be voted at the Meeting unless restricted as hereinafter provided.

Under the Bank Act no person and entities controlled by the person shall beneficially own in the aggregate more than 10 per cent of all the outstanding shares of any class of shares of the Bank. To the knowledge of the Directors and officers of the Bank, no person owns or exercises control or direction over shares carrying more than 10 per cent of the votes attached to the issued shares of any class of shares of the Bank.

Unless restricted as hereinafter provided, each shareholder is entitled to one vote for each fully paid common share shown as registered in the shareholder's name on the list of common shareholders prepared as of December 2, 1994, except to the extent that any such shareholder has subsequently transferred any of his/her common shares to a transferee who has become a registered common shareholder of the Bank and has requested of the Bank's transfer agent, Montreal Trust Company, not later than ten days before the Meeting, that his/her name be included in the list of common shareholders. In such case, the transferee, unless restricted as hereinafter provided, is entitled to vote his/her common shares at the Meeting.

Except for the special resolution confirming an amendment to Section 3.23 of By-law No. 1, each resolution that will be placed before the Meeting will be an ordinary resolution requiring for its approval a simple majority of the votes cast in respect of the resolution. The special resolution will require for its approval a majority of not less than two-thirds of the votes cast in respect of the resolution.

VOTING RESTRICTIONS

The Bank Act contains provisions restricting the voting rights of shareholders of the Bank. In summary, shares of the Bank may not be voted in person or by proxy if

(a) the shares beneficially owned by a shareholder, together with the total number of shares beneficially owned by entities controlled by the shareholder, exceed 10 per cent of all of the outstanding shares of that class of shares and are subject to an order by the Minister of Finance not to exercise any votes in respect thereof, or

(b) the shares are held by a resident of Canada for the benefit of a non-resident of Canada, other than a NAFTA country resident, or

(c) the shares beneficially owned by a non-resident shareholder other than a NAFTA country resident together with the total number of shares beneficially owned by entities controlled by that shareholder exceed 10 per cent of the outstanding shares of that class of the Bank, or

(d) the shares are beneficially owned by (i) the Government of Canada or a province, or an agency thereof, or an entity controlled thereby; or (ii) the government of a foreign country or political subdivision, or agency thereof.

If you require further information regarding voting rights, please forward your request to the Senior Vice-President and Secretary of the Bank.

ELECTION OF DIRECTORS

The term of office for each of the present Directors will expire at the Meeting when a successor is elected. Each of the persons named below is a Director of the Bank. The new Board shall consist of 29 Directors. Each Director elected at the Meeting shall hold office until the next annual meeting or until such office is earlier vacated.

Unless authority to do so is withheld, the persons designated in the accompanying form of proxy intend to vote **FOR** the nominees listed below. Management does not contemplate that any of these nominees will be unable or unwilling to serve as a Director. If, for any reason, any of them shall be unable or unwilling to serve, it is intended that proxies given pursuant to this solicitation will be voted for a substitute nominee or nominees selected by management unless authority to vote the proxies in the election of Directors is withheld. To be effective, this ordinary resolution must be passed by a majority of the votes cast thereon by the shareholders at the Meeting.

Name and principal occupation		Director since	Common Shares owned, controlled or directed[1]
Lloyd I. Barber, C.C., LL.D., Ph.D., Regina Beach, Saskatchewan, President Emeritus, University of Regina	(A)	September 1976	15,000
Malcolm R. Baxter, Saint John, N.B., Chairman, President and Chief Executive Officer, Baxter Foods Limited (Processor, manufacturer and distributor of dairy and other food products)		March 1992	25,355

Name and principal occupation		Director since	Common Shares owned, controlled or directed[1]
J. A. Gordon Bell, Toronto, Ontario, Former Deputy Chairman of the Board, and Deputy Chief Executive Officer, The Bank of Nova Scotia		December 1974	10,000
Bruce R. Birmingham, Toronto, Ontario, Vice-Chairman of the Board, The Bank of Nova Scotia; Chairman of the Board, Montreal Trustco Inc.		September 1992	14,916
C.J. Chen, Singapore, Managing Partner, Allen & Gledhill (Advocates & Solicitors) (To January 1994, Senior Partner, Allen & Gledhill)		October 1990	5,001
E. Kendall Cork, Toronto, Ontario, Managing Director, Sentinel Associates Limited (Business and financial consultants)	(A)(E)	December 1973	14,052
Sir Graham Day, Hantsport, N.S., Counsel to Stewart McKelvey Stirling Scales (Barristers & Solicitors)	(A)(E)	October 1989	5,774
Peter C. Godsoe, Toronto, Ontario, Deputy Chairman of the Board, President and Chief Executive Officer, The Bank of Nova Scotia	(E)	February 1982	24,430
M. Keith Goodrich, Toronto, Ontario, Chairman, Moore Corporation Limited (Business information products, systems and services)	(A)	August 1990	1,000
Pierre J. Jeanniot, O.C., Geneva, Switzerland, Director General, International Air Transport Association (An international organization promoting and facilitating air travel and providing services to airlines)	(A)(E)	June 1990	2,085
Laurent Lemaire, Kingsey Falls, Quebec, President, Chief Executive Officer and Director, Cascades Inc. (Manufacturer of pulp and paper products, packaging and construction materials and sanitary products)	(A)	March 1987	1,000
Gordon F. MacFarlane, O.B.C., LL.D., Vancouver, B.C., Corporate Director	(A)	January 1982	1,500
Gerald J. Maier, Calgary, Alberta, Chairman, TransCanada PipeLines Limited (Natural gas transmission and marketing) (To April 1994, Chairman and Chief Executive Officer, TransCanada PipeLines Limited)	(E)	February 1986	7,000
John T. Mayberry, Burlington, Ontario, President and Chief Executive Officer, Dofasco Inc. (Primary steel products) (Prior to January 1993, Executive Vice-President and Chief Operating Officer, Dofasco Inc.) (Prior to August 1992, Executive Vice-President, Dofasco Inc.) (Prior to September 1991, President, Dofasco Steel)		March 1994	500

Name and principal occupation		Director since	Common Shares owned, controlled or directed[1]
H. Harrison McCain, C.C., LL.D., Florenceville, N.B., Chairman of the Board, McCain Foods Limited (Frozen foods)	(E)	January 1971	27,850
Ian McDougall, New York, N.Y., U.S.A., Vice Chairman and Chief Financial Officer, Inco Limited (Primary metals and alloy products)		February 1981	1,000
David E. Mitchell, O.C., Calgary, Alberta, Chairman, Alberta Energy Company Ltd. (Investment in energy and industrial development projects) (To December 1993, President and Chief Executive Officer, Alberta Energy Company Ltd.)	(E)	October 1972	16,705
David Morton, Montreal, Quebec, Chairman, Alcan Aluminium Limited (Engaged through subsidiary and related companies in all phases of the aluminium business on an international scale); Director, Montreal Trustco Inc.	(A)(E)	March 1987	1,000
Sir Denis Mountain, Bt., London, England, Corporate Director; Director, The Bank of Nova Scotia International Limited		March 1978	792
David A. Nield, Toronto, Ontario, President and Chief Executive Officer, The Canada Life Assurance Company (Insurance)	(A)	January 1991	2,090
Helen A. Parker, Sidney, B.C., Company Director		November 1976	11,556
Elizabeth Parr-Johnston, Ph.D., Halifax, N.S., President and Vice-Chancellor, Mount Saint Vincent University		October 1993	2,000
Paul J. Phoenix, Burlington, Ontario, Corporate Director; Director, Montreal Trustco Inc.	(E)	June 1985	6,500
Robert L. Pierce, Q.C., Calgary, Alberta, Chairman and Chief Executive Officer, Foothills Pipe Lines Ltd. (Gas transmission and pipeline development)	(E)	February 1971	25,300
David H. Race, Toronto, Ontario, Chairman and Chairman of the Executive Committee, CAE Inc. (A holding and management company engaged in electronic and aerospace activities and in the design and manufacture of industrial products)		November 1992	2,500
Cedric E. Ritchie, O.C., Toronto, Ontario, Chairman of the Board and Chairman of the Executive Committee, The Bank of Nova Scotia; Chairman of the Board, The Bank of Nova Scotia International Limited	(E)	September 1972	81,710

Name and principal occupation		Director since	Common Shares owned, controlled or directed[1]
Isadore Sharp, O.C., Toronto, Ontario, Chairman, President and Chief Executive Officer, Four Seasons Hotels Inc. (Luxury hotels and resorts)		March 1990	5,000
Allan C. Shaw, Halifax, N.S., Chairman and Chief Executive Officer, The Shaw Group Limited (Manufacturers of clay and concrete products, land development and residential construction); Director, Montreal Trustco Inc.	(A)(E)	September 1986	14,434
Jonathan A. Wolfe, Toronto, Ontario, President and Chief Operating Officer, The Oshawa Group Limited (Wholesale and retail food distribution)	(A)	January 1993	1,000

(A) member of the Bank's Audit Committee
(E) member of the Bank's Executive Committee

1 The information as to shares owned or over which control or direction is exercised, not being within the knowledge of the Bank, has been furnished by the respective nominees.

As of the date hereof, none of the nominees owned, controlled or directed preferred shares of the Bank, with the exception of the following: Sir Graham Day owns or controls 10,000 preferred shares of the Bank, Mr. H. Harrison McCain owns or controls 100 preferred shares of the Bank, Mrs. Helen A. Parker owns or controls 1,000 preferred shares of the Bank and Mr. Allan C. Shaw owns or controls 1,000 preferred shares of the Bank.

A summary of the attendance of Directors at Board and Committee meetings for the period December 1, 1993 to December 4, 1994 is attached as Schedule "A".

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Annexed as Schedule "B" to this Management Proxy Circular are tables and information relating to indebtedness of Directors, executive officers and senior officers.

DIRECTORS' AND OFFICERS' REMUNERATION

The table below shows the aggregate remuneration paid by the Bank and its subsidiaries during the year ended October 31, 1994 to its Directors, in their capacity as Directors, and to its officers who received aggregate remuneration, in their capacity as officers or employees, in excess of $75,000:

Nature of Remuneration Earned

	Directors' fees	Salaries	Bonuses	Non-accountable expenses	Other	Total
Remuneration of Directors of the Bank						
(A) Number of Directors 29						
(B) Corporation incurring the expense						
- The Bank of Nova Scotia.............	$961,033	$ -	$ -	$ -	$ -	$961,033
- The Bank of Nova Scotia Asia Limited	6,784	-	-	-	-	6,784
- The Bank of Nova Scotia International Limited	29,850	-	-	-	-	29,850
- The Bank of Nova Scotia Jamaica Limited and its subsidiaries..................................	11,412	-	-	-	-	11,412
- The Bank of Nova Scotia Trust Company	44,000	-	-	-	-	44,000
- The Bank of Nova Scotia Trust Company (Bahamas) Limited......	30,991	-	-	-	-	30,991
- Montreal Trustco Inc.*.....	34,300	-	-	-	-	34,300
- Scotia Insurance (Barbados) Limited..	2,043	-	-	-	-	2,043
- Scotia Mortgage Corporation.......	15,750	-	-	-	-	15,750
- Scotiabank (Ireland) Limited.......	10,176	-	-	-	-	10,176
- Scotiabank (U.K.) Limited...........	1,136	-	-	-	-	1,136
- Scotiatrust (Asia) Limited...........	12,212	-	-	-	-	12,212
Remuneration of Officers of the Bank						
(A) Number of Officers...................261						
(B) Corporation incurring the expense						
- The Bank of Nova Scotia.............	$ -	$37,866,375	$15,149,703	$ -	$11,286,061	$64,302,139
- The Bank of Nova Scotia International Limited	27,138	-	-	-	-	27,138
- The Bank of Nova Scotia Jamaica Limited and its subsidiaries..................................	3,804	-	-	-	-	3,804
- The Bank of Nova Scotia Trust Company (Bahamas) Limited......	20,294	-	-	-	-	20,294
- The Bank of Nova Scotia Trust Company of New York................	1,628	-	-	-	-	1,628
- Scotia Insurance (Barbados) Limited..	4,086	-	-	-	-	4,086
- Scotia Mortgage Corporation.......	375	-	-	-	-	375
- Scotiabank de Puerto Rico...........	8,820	-	-	-	-	8,820
- Scotiabank (Ireland) Limited.......	41,383	-	-	-	-	41,383
- Scotiabank (U.K.) Limited...........	2,892	-	-	-	-	2,892
Totals..	$1,270,107	$37,866,375	$15,149,703	$ -	$ 11,286,061	$65,572,246

* The figures relating to Montreal Trustco Inc. are for the period April 11, 1994 (date of acquisition by the Bank) to October 31, 1994.

The foregoing table respecting remuneration of Directors and officers is provided in compliance with the requirements of the Regulations to the Bank Act. Further information respecting remuneration appears below under the heading "Executive Compensation", stated in a format in compliance with particular provincial securities regulatory requirements.

The Management Resources and Compensation Committee of the Board approves the design of the Bank's variable compensation plans which may pay bonuses related to the achievement of specific current year financial results. Prior to fiscal 1994, a portion of such bonuses was paid in cash and the remainder deferred in units equal in value to the average price of common shares of the Bank and subsequently redeemed in cash after a period of five years, at the current average price of common shares of the Bank. Beginning in 1994, any annual bonuses are paid fully in cash, based on the achievement of a wider range of quantitative and qualitative criteria. Payments of $15,149,703 (reported as "Bonuses" in the above table) were made to officers earning in excess of $75,000 during the year from awards made under these plans relating to fiscal 1994 and prior years.

In addition, payments of $10,160,360 (reported as "Other" in the above table) were made to officers earning in excess of $75,000 during the year, representing the final payments under the discontinued deferred compensation arrangements outlined above.

Certain Executive Officers of the Bank participated in a Long Term Incentive Plan consisting of awards of share performance units determined based on a multiple of salary. The award price equalled the average closing price on The Toronto Stock Exchange (TSE) of The Bank of Nova Scotia common shares for the fiscal year. A total of 252,247 units were awarded in January, 1994 in respect of fiscal 1993 performance, with a payout date of 1999. Payments of $1,125,701 (reported as "Other" in the above table) were made during the year in respect of awards made in prior years. The estimated aggregate payments proposed to be made in the future for this plan is $8,926,172. There will be no new awards made under this Plan.

In 1994, the Bank introduced a Stock Option Plan. On June 3rd, 1994, the Bank granted to selected employees, options to purchase common shares of the Bank at a price of $26.50, which was the closing price on the TSE on the last trading date prior to the options being granted. Such options become exercisable at the rate of 25% per annum commencing June 3, 1995 and expire on June 3, 2004. The maximum number of shares to be issued over the life of the Stock Option Plan (1994) is 12,000,000. In 1994, 1,366,000 options for shares were granted to officers of the Bank or its subsidiaries who received remuneration in excess of $75,000 in the Bank's last completed fiscal year.

Aggregate cash compensation paid to the Bank's Executive Officers by the Bank and its subsidiaries for services rendered during the Bank's last completed financial year was $16,214,726 which amount includes $8,710,537 paid pursuant to the incentive plans described above. The aggregate value of other compensation paid to these Executive Officers during the Bank's last completed financial year which was not offered on the same terms to all full time employees did not exceed the lesser of $25,000 times the number of Executive Officers or 10 percent of the aggregate cash compensation referred to in the preceding sentence. As of the date hereof and in accordance with our reporting guidelines, there are 31 Executive Officers of the Bank.

The Bank has entered into agreements with certain Executive Officers which provide for supplemental disability coverage and if the officer undertakes to continue in the employ of the Bank and retires not earlier than five years before normal retirement age, the Bank will make supplemental retirement payments. The Bank also has a plan for certain senior officers which provides, depending on length of service, a maximum retirement benefit of 70 percent of the officer's highest three year average salary, less the pension actually paid from the Scotiabank Pension Plan, contingent upon the officer remaining in the employ of the Bank until at least five years prior to normal retirement age. As none of these payments or benefits are funded and as it is impractical at this time to accurately state the amounts that will be payable under these arrangements, no amount in respect to them is included in the foregoing table.

PROPOSED AMENDMENT TO SECTION 3.23 OF BY-LAW NO. 1 TO INCREASE THE APPROPRIATION FOR DIRECTORS' FEES

Section 3.23 of By-law No. 1 provides that for each financial year a sum not exceeding $1,000,000 may be taken by the Board from the funds of the Bank as remuneration for their services as Directors. This figure, established in 1989, was approved by the shareholders at the Annual Meeting of Shareholders in January 1990 and reconfirmed by the shareholders, in accordance with the regulations of the new Bank Act, at the Annual Meeting of Shareholders in January 1993.

Given the duties and responsibilities of the Directors prescribed by the Bank Act and other regulatory requirements, and the growth and increased complexity of the Bank's business, Directors are spending an increasing amount of time on Bank affairs. Bearing in mind these factors, it is considered appropriate to effect an increase in the aggregate amount which may be paid to the Directors for their services.

Accordingly, the persons designated in the accompanying form of proxy intend to vote FOR an amendment to Section 3.23 of By-law No. 1 whereby the aggregate amount which may be taken by the Directors from the funds of the Bank as remuneration for their services as Directors will be increased from $1,000,000 to $1,500,000 for each financial year. It is expected that the revised aggregate amount, if approved, and which may be paid to the Directors for their services, will not be modified for several years. To be effective, this special resolution must be passed by a majority of not less than two-thirds of the votes cast thereon by the shareholders at the Meeting.

The following special resolution will be placed before the Meeting:

"Be it resolved as a special resolution that Section 3.23 of By-law No. 1 be amended by deleting the amount $1,000,000 and substituting therefor the amount $1,500,000 so that Section 3.23 of By-law No. 1 shall read as follows:

> For each financial year a sum not exceeding $1,500,000 may be taken by the Board from the funds of the Bank as remuneration for their services as Directors and the Directors may from time to time apportion the same among themselves in such manner as they shall think fit. The Directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the Board or any Committee thereof."

Directors are compensated for their services in their capacity as Directors with a retainer of $18,000 per annum (increased to $20,000 per annum, effective November 1, 1994, if the special resolution with respect to increasing the aggregate appropriation for Directors' fees is confirmed) payable quarterly, a fee of $800 per Board meeting attended (increased to $1,000 effective November 1, 1994, if the special resolution with respect to increasing the aggregate appropriation for Directors' fees is confirmed) and a fee of $800 per Committee meeting attended. Directors also receive an attendance fee of $800 for each Regional Advisory Committee meeting attended. Committee Chairmen receive double the attendance fee. Members of the Executive, Audit and Management Resources and Compensation Committees receive an additional annual retainer of $2,000 payable quarterly. Directors who are officers of the Bank do not receive attendance fees for Board or Committee meetings nor retainer fees for Committee membership. Directors are also reimbursed for travel and other out-of-pocket expenses incurred in attending Board or Committee meetings, and for any reasonable expenses incurred while on Bank business.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of compensation earned by the Chief Executive Officer and the four most highly compensated policy-making Executive Officers during each of the three most recent fiscal years.

		Annual Compensation			Long Term Compensation Payout		
Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Other Annual Compensation ($) (e)	Securities Under Options Granted (#) (f)	LTIP Payout ($) (h)	All Other Compensation ($) (i)
CEO P.C. Godsoe	1994	(1) 850,000	765,000	(3) 56,597	100,000	(5) 228,498	
	1993	(1) 683,768	102,565	33,748			
	1992	570,958	99,918				
Vice-Chair B. R. Birmingham	1994	(1) 450,000	337,500	(4) 34,451	50,000	(5) 151,751	
	1993	(1) 410,001	61,500	21,736			
	1992	386,053	67,559				
Senior Executive Vice-President R. E. Waugh	1994	(1) 300,000	202,500	(4) 27,990	30,000	0	
	1993	(1) 293,670	44,051	16,028			
	1992	(2) 312,715	54,725				
Senior Executive Vice-President J.F.M. Crean	1994	(1) 300,000	202,500	(4) 12,765	30,000	0	
	1993	(1) 268,001	40,200	3,283			
	1992	248,679	43,519				

(continued on next page)

Name and Principal Position (a)	Year (b)	Annual Compensation Salary ($) (c)	Bonus ($) (d)	Other Annual Compensation ($) (e)	Long Term Compensation Payout Securities Under Options Granted (#) (f)	LTIP Payout ($) (h)	All Other Compensation ($) (i)
Senior Executive Vice-President							
R.W. Chisholm	1994	(1) 300,000	202,500	(4) 14,901	30,000	(5) 71,612	
	1993	(1) 265,000	39,750				
	1992	232,637	40,711				

(1) Year-over-year increases in base salary reflect performance contribution, market rates and/or expanded responsibilities.
(2) Reflects the Canadian dollar equivalent of salary.
(3) Includes the value of a Bank provided car, financial planning and Director's fees.
(4) Includes the value of a Bank provided car, imputed interest benefits from loans, Director's fees and/or financial planning.
(5) Represents payments made in respect of share performance units awarded in prior years.

Long-Term Incentive Plans - Awards in Most Recently Completed Financial Year

Name (a)	Securities Units or Other Rights (#) (b)	Performance or Other Period Until Maturation or Payout (c)	Estimated Future Payouts Under Non-Securities Price-Based Plans: Threshold ($ or #) (d)	Target ($ or #) (e)	Maximum ($ or #) (f)
P.C. Godsoe CEO	67,568	1999			
B. R. Birmingham	26,828	1999			
R.E. Waugh	11,924	1999			
J.F.M. Crean	11,924	1999			
R.W. Chisholm	11,924	1999			

The share performance units reported above were awarded in January, 1994 in respect of fiscal 1993 performance.

The award price equalled the average closing price on The Toronto Stock Exchange (TSE) of The Bank of Nova Scotia common shares for the 1993 fiscal year. If the Executive remains with the Bank, the units are redeemed on a fixed date in 1999, which was set by the Management Resources and Compensation Committee at the time of the award. Earlier redemption may occur only upon retirement.

The payout values will be based on the differential between award price and the average closing price on the TSE of The Bank of Nova Scotia common shares for the fiscal year preceding redemption.

There will be no further awards under this Plan.

Stock Option Plan

Changes to the Bank Act permitted introduction of the 1994 Stock Option Plan (the "Plan") which was approved by shareholders at the Annual Meeting of Shareholders on January 18, 1994. The Plan links the interests of Executive Officers more directly to those of the shareholders and encourages share ownership. Further, the Plan enhances the ability of the Bank to retain key personnel by compensating Executive Officers, and other selected management employees, in a competitive manner to norms prevailing within Canadian industry.

The exercise price of each Option grant under the Plan will not be less than the closing price of The Bank of Nova Scotia common shares on the TSE on the last day traded before the date of the Option grant. Up to 25% of an Option grant may be exercised by the Executive twelve months after the date granted, and a further 25% each year thereafter. Option grants expire after ten years. Awards granted under the terms of the Plan in 1994, defined below, have no material value to Executive Officers unless the market price of common shares exceeds the exercise price.

Option Grants During the Most Recently Completed Financial Year

Name (a)	Securities Under Options Granted (#) (b)	% of Total Options Granted to Employees in Financial Year (c)	Exercise or Base Price ($ /Security) (d)	Market Value of Securities Underlying Options on the Date of Grant ($/Security) (e)	Expiration Date (f)
P.C. Godsoe CEO	100,000	5.90	26.50	26.50	2004
B. R. Birmingham	50,000	2.95	26.50	26.50	2004
R.E. Waugh	30,000	1.77	26.50	26.50	2004
J.F.M. Crean	30,000	1.77	26.50	26.50	2004
R.W. Chisholm	30,000	1.77	26.50	26.50	2004

The following table provides additional insight into awards made to Executive Officers under the terms of the Plan during the most recent fiscal year. Their current value, shown in column (e) below, is calculated using $27.50 which was the closing price of The Bank of Nova Scotia common shares on October 31, 1994. Executive Officers will be permitted to exercise up to 25% of their award on or after June 3, 1995.

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

Name (a)	Securities Acquired on Exercise (#) (b)	Aggregate Value Realized ($) (c)	Unexercised Options at FY-End (#) Unexercisable (d)	*Value of Unexercised in-the-Money Options at FY-End ($) Unexercisable (e)
P.C. Godsoe CEO			100,000	100,000
B. R. Birmingham			50,000	50,000
R.E. Waugh			30,000	30,000
J.F.M. Crean			30,000	30,000
R.W. Chisholm			30,000	30,000

(b) No securities were acquired.

(d) All units are unexercisable as at fiscal year-end.

* An option is in-the-money at year-end if the market value of the underlying securities at that date exceeds base price of the option.

Defined Benefit or Actuarial Plans

The Bank of Nova Scotia provides retirement benefits to the named Executive Officers in the form of pensions payable from the Scotiabank Pension Plan (SPP), a registered funded pension plan, and separate supplemental arrangements from a non-registered unfunded pension plan.

The benefits from these Plans are a life annuity with an automatic and mandatory survivor pension of 60% of the member's pension.

These arrangements provide for an annual retirement income at normal retirement age of 70% of the total of final base salary plus one half of the average bonus over the last five years.

This retirement income is inclusive of the pension benefit from the SPP. The supplemental benefit is only payable if the Executive remains with the Bank and does not retire earlier than five years before their normal retirement age. Messrs. Godsoe, Birmingham, Chisholm, Crean and Waugh have 28, 23, 8, 22 and 24 years of service respectively.

Management Resources and Compensation Committee Report

The Management Resources and Compensation Committee is composed of eight external Directors and has the responsibility to determine and administer all aspects of compensation received by Executive Officers of the Bank. The Committee met six times during 1994 and its recommendations are submitted to the Board of Directors for approval. The Committee's objective is to develop total compensation programs that:

- recognize the achievement of strategic corporate objectives;
- retain the services of key resources;
- reward Executive Officers competitively, relative to positions of similar responsibility in comparable organizations;
- encourage talented resources within the Bank to aspire to executive management; and
- motivate Executive Officers to act in the interests of the shareholders.

The Committee uses the services of independent compensation consultants to compare the compensation of Executive Officers to a group of comparator companies. The comparator groups include the larger Canadian banks, selected companies within the financial services industry and other large corporate employers with whom the Bank may compete for resources with valued skills. The Committee seeks to position the value of executive total compensation between the median and 75th percentile of practice exhibited by comparator organizations for positions of similar magnitude and scope.

The total compensation program for Executive Officers has three principal components; base salary, an annual bonus program and a long term incentive plan. To determine the extent to which base salary can move, salary ranges are established based upon levels of compensation paid by organizations within the groups of comparator companies described above. The salary of an individual Executive Officer is reconsidered annually and adjusted within the salary range based upon the Committee's assessment of experience, sustained personal performance, demonstrated leadership ability and achievement of annual objectives. Adjustments in 1994 to the salaries of executives reporting to the Chief Executive Officer reflect such judgements in addition to reflecting changes to responsibilities arising from the acquisition, supervision and integration of Montreal Trust.

The annual bonus is intended to reward Executive Officers for achievement of specific current year financial results that contribute directly to enhanced shareholder value. A new Annual Incentive Plan was established in fiscal 1994 which has expanded both the range of bonus which may be earned and the criteria used to determine whether a bonus is paid. Previously, the bonus was based solely upon year-over-year improvement in net income beyond a threshold level of achievement. The new Plan employs a broader range of both qualitative and quantitative criteria. The focus is upon achievement of superior results.

Quantitative criteria include achievement of profit plan targets, maintenance of superior returns on both assets and shareholders' equity, improved productivity and below average loan losses. Qualitative criteria include maintenance of exceptional customer service and business ethics, continued achievement of our goal to be a superior employer and preservation of the highest levels of safety and security as determined by various regulatory and audit reviews.

The target bonus for Executive Officers reporting to the Chief Executive Officer, expressed as a percentage of salary, ranges from 40% to 50% of salary, depending upon the position held. The maximum bonus is from 60% to 75% of base salary.

The Committee awarded bonus payouts at maximum levels for the named Executive Officers in 1994, in recognition of their contributions to the achievement of strong results for the fifth successive year.

Long Term Incentives are achieved through the award of options under the new 1994 Stock Option Plan, discussed in greater detail in the preceding section under the heading "Stock Option Plan". Options may be granted annually based on a multiple of base salary, as determined at the discretion of the Board of Directors.

Chief Executive Officer

The components of Total Compensation received by the Chief Executive Officer are similar to those received by other Executive Officers, as is the manner in which such compensation is reviewed and evaluated by the Committee. The Committee uses the same groups of comparator companies and seeks to position Total Compensation between the median and the 75th percentile of competing practice.

The same quantitative and qualitative criteria applied to other Executive Officers, discussed above, are used to

determine bonus payments to the Chief Executive Officer. Threshold levels of corporate performance must be achieved before any bonus payment is earned. When target performance levels are achieved, the Chief Executive Officer receives an annual bonus of 60% of base salary, with the potential to earn up to 90% of salary.

Mr. Godsoe's base salary was adjusted to $850,000 based on the Committee's satisfaction with his corporate performance during the fiscal year and a review of all other criteria discussed above.

The Committee acknowledged Mr. Godsoe's strong leadership role in the achievement of strong financial results in 1994 by awarding him a bonus of $765,000.

Under the terms of the new Stock Option Plan, Mr. Godsoe was awarded 100,000 options at an exercise price of $26.50.

Based on research conducted by external independent compensation consultants, the Committee believes that the sum of base salary, bonus and stock options received by Mr. Godsoe is both reasonable and consistent with prevailing practice among major Canadian financial and industrial organizations.

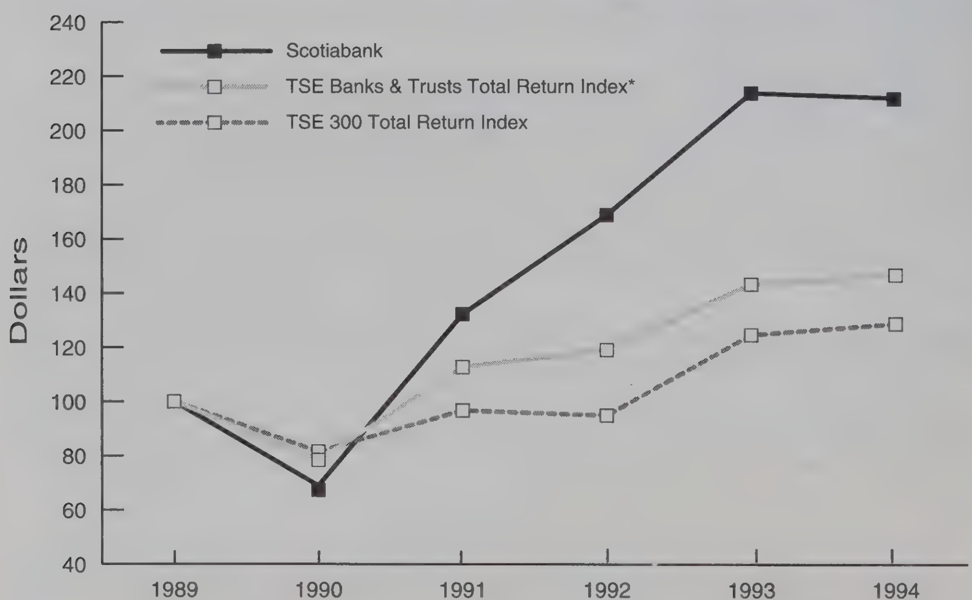
Submitted by the Management Resources and Compensation Committee:

Robert L. Pierce - Chair
Sir Graham Day
Gerald J. Maier
H. Harrison McCain
David E. Mitchell
David Morton
Paul J. Phoenix
Isadore Sharp

Share Performance Graph

The following graph shows changes over the past five-year period in the value of $100 invested in: (1) Scotiabank's Common Shares; (2) the TSE Banks & Trusts Total Return Index; and (3) the TSE 300 Total Return Index as of October 31, 1994 (of which Scotiabank is one).

Scotiabank Comparison of 5 Year Total Common Shareholders' Return



* Prior to 1994, the index was the TSE Banks Total Return Index.

For the financial years	1989	1990	1991	1992	1993	1994
Scotiabank	100.00	68.94	132.17	168.81	213.74	211.88
TSE Banks & Trusts Total Return Index*	100.00	78.39	112.69	119.07	143.28	146.66
TSE 300 Total Return Index	100.00	81.52	96.70	94.88	124.60	128.62

* Prior to 1994, the index was the TSE Banks Total Return Index.

The year-end values of each investment shown in the preceding graph are based on share price appreciation plus dividends reinvested.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the insiders of the Bank, including the Bank's Directors or officers, or proposed nominee Directors, or associates of or corporations controlled by, such persons, had any material interest, direct or indirect, in any transaction since the commencement of the Bank's last completed financial year or in any proposed transaction that has materially affected or will materially affect the Bank or any of its subsidiaries.

APPOINTMENT OF AUDITORS

Under the Bank Act the affairs of the Bank may be audited by either one or two firms of accountants. Management proposes that the firms of Price Waterhouse and KPMG Peat Marwick Thorne be reappointed as auditors of the Bank.

During the five financial years ended October 31, 1994, the firm of Ernst & Young served in 1990 and 1991 while the firm of Price Waterhouse served in 1990, 1991, 1992, 1993 and 1994 and the firm of KPMG Peat Marwick Thorne served in 1992, 1993 and 1994.

Unless authority to do so is withheld, the persons designated in the accompanying form of proxy intend to vote FOR a resolution reappointing the accounting firms of Price Waterhouse and KPMG Peat Marwick Thorne as auditors of the Bank until the close of the next annual meeting of shareholders. To be effective, this ordinary resolution must be passed by a majority of the votes cast thereon by the shareholders at the Meeting.

DIRECTORS' APPROVAL

The Board of Directors of the Bank has approved the contents and the sending of this Management Proxy Circular.

RPGerad

Toronto, Ontario
November 30, 1994

R. Peter Gerad,
Senior Vice-President and Secretary

Schedule "A"

Record of Attendance[1]

During period December 1, 1993 to December 4, 1994

Name of Director	Board (total 13)	Audit Committee (total 6)	Ad Hoc Committee on Corporate Governance (total 4)	Conduct Review Committee (total 3)	Executive Committee (total 8)	Management Resources and Compensation Committee (total 8)	Pension Fund Advisory Committee (total 1)	Regional Advisory Committees[2]
Lloyd I. Barber, C.C., LL.D., Ph.D.	12	6	4	3				
Malcolm R. Baxter	12							
J. A. Gordon Bell	11						1	
Bruce R. Birmingham	11							
C.J. Chen	3							
E. Kendall Cork	13	6			8		1	
Sir Graham Day	11	6	4	3	7	8		
Peter C. Godsoe	13		1		8		1	
M. Keith Goodrich	13	6		3				
Pierre J. Jeanniot, O.C.	9	5			3			
Laurent Lemaire	12	5						2
Gordon F. MacFarlane, O.B.C., LL.D.	12	6					1	4
Gerald J. Maier	9				4	6		3
John T. Mayberry[3]	6							
H. Harrison McCain, C.C., LL.D.	7		2		3	3		
Ian McDougall	13						1	
David E. Mitchell, O.C.	11				7	6		3
David Morton	12	5	3	2	7	7		3
Sir Denis Mountain, Bt.	7							
David A. Nield	11	5	4	2				
Helen A. Parker	12							4
Elizabeth Parr-Johnston, Ph.D.	11			3				
Paul J. Phoenix	12				8	6		
Robert L. Pierce, Q.C.	9		4		7	8		3
David H. Race	13			3				
Cedric E. Ritchie, O.C.	12		1		8		1	
Isadore Sharp, O.C.	7					4		
Allan C. Shaw	11	4			7			
Jonathan A. Wolfe	12	6						

1 The Committee to Review the Role and Function of the Board did not meet during the period December 1, 1993 to December 4, 1994 and has not been included in the table.

2 Regional Advisory Committee meetings were held in Vancouver (4), Calgary (3) and Montreal (3).

3 Mr. John T. Mayberry, President and Chief Executive Officer, Dofasco Inc., Burlington, Ontario, was appointed to the Board on March 29, 1994.

Schedule "B"

Table of Indebtedness of Directors, Executive Officers and Senior Officers Under Securities Purchase Programs (1)

The following table contains information concerning indebtedness to the Bank or its subsidiaries, excluding routine indebtedness, that was entered into in connection with a purchase of securities of the Bank, by Directors, Executive Officers and Senior Officers of the Bank, proposed nominees for election as Directors and associates of such persons.

The aggregate amount outstanding to the Bank and its subsidiaries for indebtedness of present and former Directors, Officers and employees, entered into in connection with a purchase of securities of the Bank, excluding routine indebtedness, as at October 31, 1994 was $1,547,383.

Name and Principal Position (a)	Involvement of Issuer or Subsidiary (b)	Largest Amount Outstanding During the Financial Year Ended October 31, 1994 ($) (c)	Amount Outstanding as at October 31, 1994 ($) (d)	Financially Assisted Securities Purchases During the Financial Year Ended October 31, 1994 (#) (2) (e)
CEO				
P.C. Godsoe	Lender	(3) 270,000	270,000	
Vice-Chairman				
B.R. Birmingham	Lender	200,000	192,800	10,000
Executive Vice-Presidents:				
R.L. Brooks	Lender	15,994	10,638	
W.J. Lomax	Lender	38,939	34,701	
A.E. Wahbe	Lender	240,000	198,600	10,000
S.S. Marwah	Lender	159,650	150,830	7,000
Senior Vice-Presidents:				
S.D. Chrominska	Lender	11,496	9,792	400
R.P. Gerad	Lender	171,630	166,078	7,450
R.P. Hayward	Lender	60,000	59,769	2,600
D.A. Hilton (4)	Lender	28,508	20,240	
J.G. Keith	Lender	47,405	46,047	2,000
R.W. Kowalchuk	Lender	68,300	65,933	3,000
T.C. Maloney	Lender	45,000	41,194	2,400
V.B. Maxwell	Lender	34,758	31,170	
J.K. Mitchell	Lender	90,000	84,464	3,300
B.R. Monroe	Lender	109,758	99,356	3,000
P. Mulligan	Lender	20,000	19,769	769
E. Rovas	Lender	24,152	23,212	1,000
C.B. Spencer	Lender	23,700	22,790	1,000

(1) Excluding routine indebtedness. Routine indebtedness includes (i) loans to employees and loans less than $25,000 to Directors and Executive or Senior Officers, that are made on terms no more favourable than the terms on which loans are made to employees generally; (ii) loans to Directors and Executive or Senior Officers who are full time employees, which loans are fully secured by their residence and do not exceed annual salary in amount; and (iii) loans to persons or companies other than full time employees if made on substantially the same terms as available to other customers and involving no more than usual risks.

(2) The securities purchased with the financial assistance shown were common shares of The Bank of Nova Scotia.

(3) Loans are at prime.

(4) No longer an officer of the Bank.

The Bank encourages employee share ownership. Thus, it has a general loan policy which enables Officers and employees to borrow to purchase shares of The Bank of Nova Scotia. These loans are on a demand note basis, at an interest rate linked to the dividend yield on common shares. The current interest rate is 5%. Shares purchased with loan proceeds, sufficient to cover loan balances, are held in safekeeping until such time as the loan is repaid.

Schedule "B"

Table of Indebtedness of Directors, Executive Officers and Senior Officers other than under Securities Purchase Programs (1)

The following table contains information concerning indebtedness to the Bank or its subsidiaries, excluding routine indebtedness, that was not entered into for the purchase of securities of the Bank, by Directors, Executive Officers and Senior Officers of the Bank, proposed nominees for election as Directors and associates of such persons.

The aggregate amount outstanding to the Bank and its subsidiaries for indebtedness of present and former Directors, Officers and employees, entered into in connection with other than a purchase of securities of the Bank, excluding routine indebtedness, as at October 31, 1994 was $9,041,515.

Name and Principal Occupation (a)	Involvement of issuer or subsidiary (b)	Largest Amount Outstanding During the Financial Year Ended October 31, 1994 ($) (c)	Amount Outstanding as at October 31, 1994 ($) (d)
CEO			
P.C. Godsoe	Lender	18,238	18,238
Vice-Chairman			
B.R. Birmingham	Lender	168,882	151,414
Senior Executive Vice-Presidents:			
R.W. Chisholm	Lender	712,661	674,800
J.F.M. Crean	Lender	152,016	138,641
R.E. Waugh	Lender	1,079,168	969,463
Executive Vice-Presidents:			
S.D.N. Belcher	Lender	310,380	275,535
R.L. Brooks	Lender	83,182	82,988
L.L. Fox	Lender	35,443	31,439
W.J. Lomax	Lender	3,384	750
B.R.F. Luter (2)	Lender	488,442	461,564
R.J. Marshall	Lender	165,411	165,210
S.S. Marwah	Lender	18,817	11,394
W.P. Sutton	Lender	103,148	85,972
A.E. Wahbe	Lender	15,110	213
Senior Vice-Presidents:			
J. Agnew	Lender	344,322	329,140
G.R. Bellew (3)	Lender	274,893	239,315
J.G. Bisaillon	Lender	462,812	442,505
P.C. Cardinal	Lender	52,892	39,739
D.J. Chapman	Lender	138,908	110,000
S.D. Chrominska	Lender	64,508	58,840
D. Chui	Lender	111,478	99,364
R.G. Darke	Lender	286,224	269,233
R.P. Gerad	Lender	7,962	2,789
R.W. Hale-Sanders	Lender	52,491	41,353
T.P. Hayward	Lender	55,795	41,112
T.A. Healy	Lender	520,486	440,756
P.F.J. Heffernan	Lender	69,349	58,290
W.J. Jestin	Lender	108,877	100,606
J.G. Keith	Lender	10,553	1,366
R.W. Kowalchuk	Lender	5,290	430
A.B. Lennox	Lender	249,615	208,908

(continued on next page)

Name and Principal Occupation (a)	Involvement of issuer or subsidiary (b)	Largest Amount Outstanding During the Financial Year Ended October 31, 1994 ($) (c)	Amount Outstanding as at October 31, 1994 ($) (d)
A.R. Macdonald	Lender	250,812	217,296
J.R. MacDonald	Lender	64,767	60,113
T.C. Maloney	Lender	4,216	1,963
D.J. Marcotte	Lender	252,878	205,963
G.E. Marlatte	Lender	134,809	127,988
V.B. Maxwell	Lender	4,817	1,949
J.T. Meek	Lender	88,436	25,713
W.J. Menear	Lender	105,888	87,000
S. Mersky	Lender	710,842	687,321
J.K. Mitchell	Lender	19,823	18,414
B.R. Monroe	Lender	22,908	7,584
P. Mulligan	Lender	60,000	54,400
P.J.M. Nicholson	Lender	94,752	85,886
J.E. Oliver	Lender	111,022	85,610
B.R. Osmak	Lender	42,611	34,242
T.G. Plumptre	Lender	386,234	282,536
E. Rovas	Lender	68,589	52,935
W.N. Serba	Lender	75,180	65,737
W.J. Smith	Lender	41,207	34,847
C.B. Spencer	Lender	184,780	178,902
D.H. Stewart	Lender	431,599	408,071
A.E. Taylor	Lender	36,999	25,389
D.S. Teslyk	Lender	107,760	94,917
W.K. Walker	Lender	250,881	232,673
G. Whyte	Lender	244,083	237,805
O. Zimmerman	Lender	178,377	174,894

(1) Excluding routine indebtedness.
(2) Reflects the Canadian dollar equivalent of loans.
(3) No longer an officer of the Bank.

The Bank has available to officers and employees, a comprehensive loan program for financing associated with the purchase of principal residences and significant consumer purchases. Customer credit criteria is applied with suitable collateral taken as required.

Interest rates and terms will vary, depending on the purpose of the loan. The best rate available to management and officers for consumer loans is a variable rate equal to one-half of the Bank's prime rate to a minimum of 4%, with a maximum term of 60 months.

Current policy permits housing loans to management to a maximum of $60,000, an interest rate of one-half the Bank's best conventional mortgage rate, with a minimum rate of 4%. These loans are on a demand note basis. Mortgages to finance a principal residence are available to management and employees generally at 1% below the customer conventional mortgage rates. More favourable terms are available to management officers relocated at the Bank's request.

Scotiabank

THE BANK OF NOVA SCOTIA

SCOTIABANK
BANKING ON STRENGTH

Risk Management

Effective risk management is the critical factor for success in banking. Scotiabank has consistently emphasized the management of credit and market risk. On these measures of strength, the Bank has been a leader in Canada and among the best in the world for many years.

Diversification

Scotiabank is diversified by geography, products and customers across four business lines: domestic, corporate, investment and international banking. Our commitment to diversification minimizes overall risk and broadens the Bank's income streams.

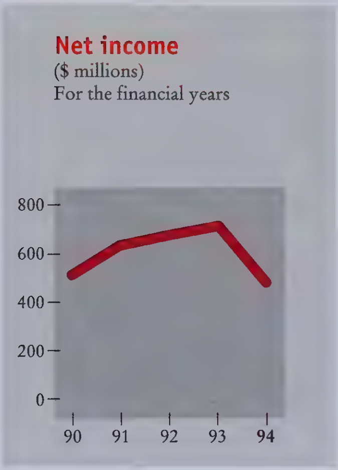
Productivity

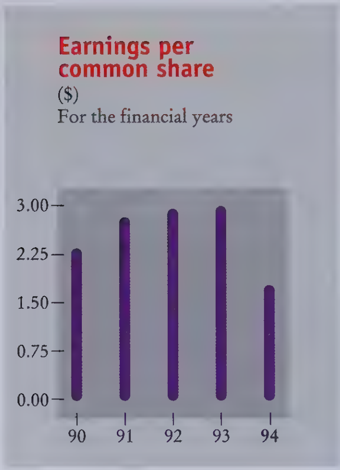
Cost control is a strength that is deeply rooted in Scotiabank's culture. We operate efficiently, paying close attention to detail. Our productivity ratio is consistently one of the best among major North American banks.

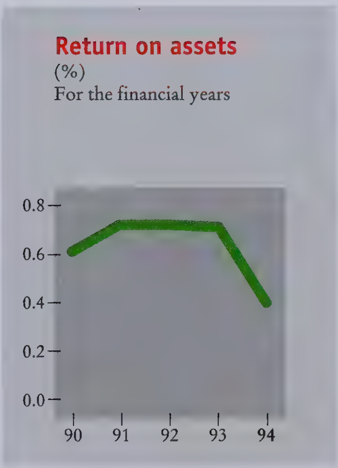
Customer Service

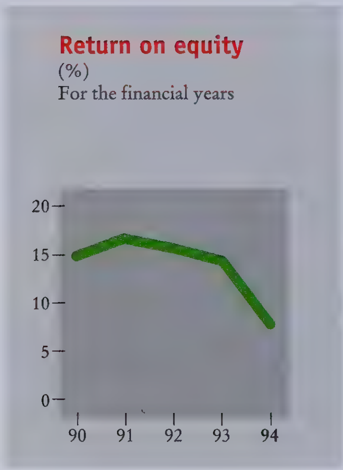
Scotiabank's goal is to meet the needs of every customer. Our bank-wide commitment to provide the very best products and services is another strength upon which we build market share and revenue growth, year after year.

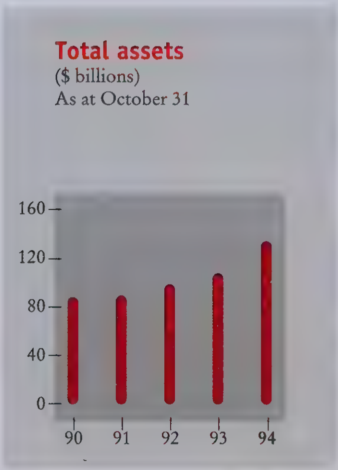
BUILDING
SHAREHOLDER VALUE

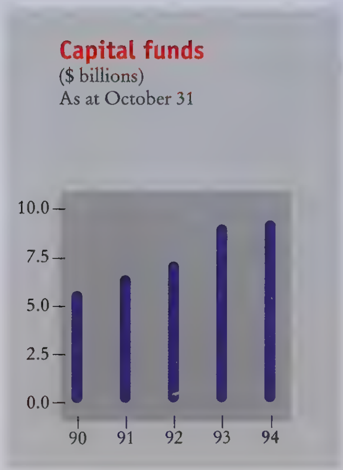

Net income
($ millions)
For the financial years
800
600
400
200
0
90
91
92
93
94


Earnings per common share
($)
For the financial years
3.00
2.25
1.50
0.75
0.00
90
91
92
93
94


Return on assets
(%)
For the financial years
0.8
0.6
0.4
0.2
0.0
90
91
92
93
94


Return on equity
(%)
For the financial years
20
15
10
5
0
90
91
92
93
94

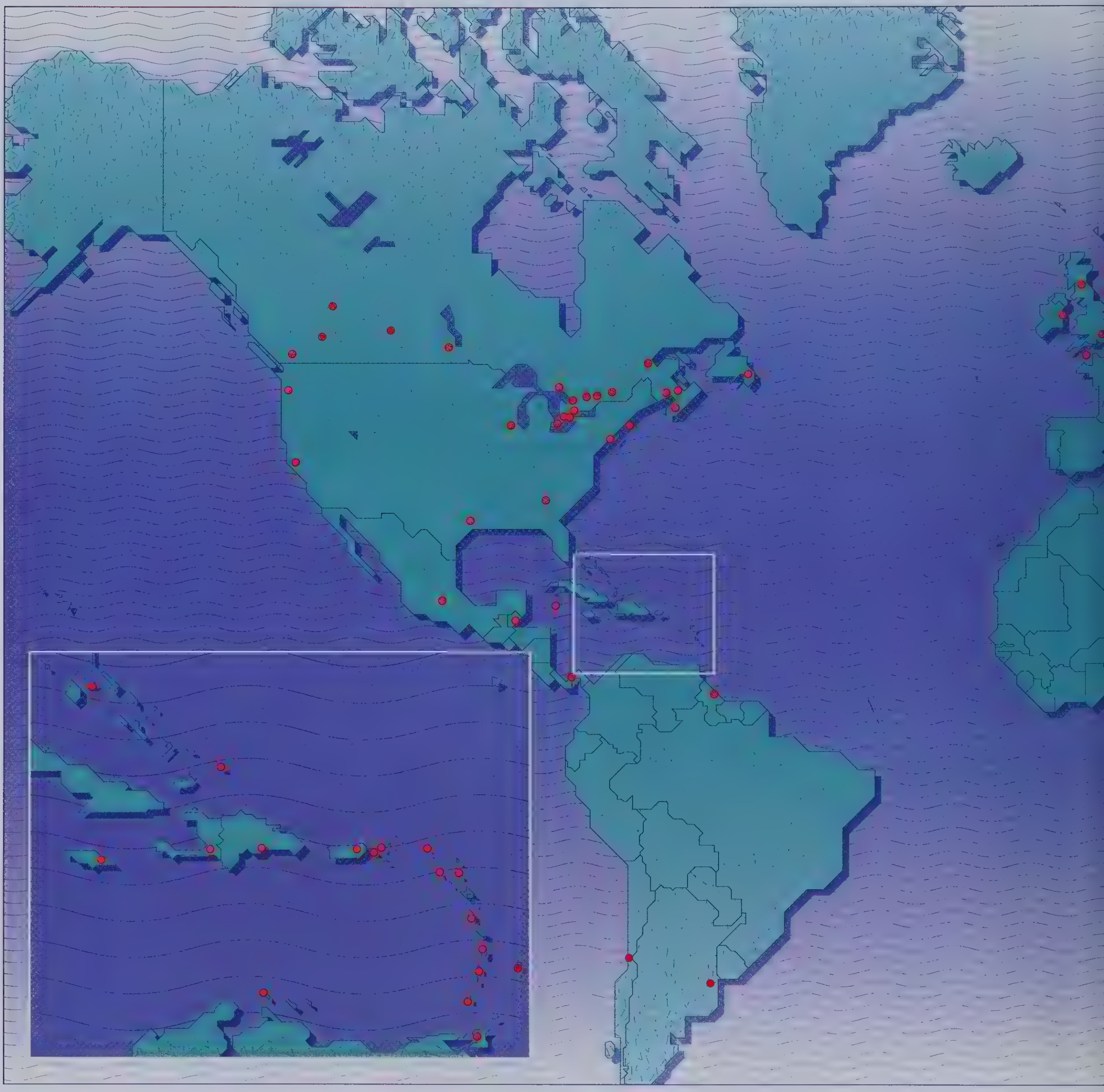

Total assets
($ billions)
As at October 31
160
120
80
40
0
90
91
92
93
94


Capital funds
($ billions)
As at October 31
10.0
7.5
5.0
2.5
0.0
90
91
92
93
94

Highlights

	1994	1993(1)	% Change
Earnings and dividends			
($ millions)			
For the financial years			
Net interest income	$ 3,104	$ 2,876	7.9
Net income	482	714	(32.5)
Common dividends paid	253	233	8.5
Preferred dividends paid	97	92	5.2
Earnings and dividends per common share			
($)			
For the financial years			
Net income	$ 1.76	$ 2.98	(40.9)
Dividends paid	1.16	1.12	3.6
Financial ratios			
(%)			
For the financial years			
Return on common shareholders' equity	7.9%	14.4%	–
Return on assets	0.40	0.71	–
Capital ratios			
(%)			
As at October 31			
Capital funds to total assets	6.96%	8.51%	–
Risk-adjusted capital ratios			
– Tier 1 capital	6.22	6.45	–
– Total capital	9.61	10.38	–
Financial position			
($ millions)			
As at October 31			
Total assets	$ 132,928	$ 106,510	24.8
Cash resources	11,388	8,634	31.9
Securities	25,566	17,838	43.3
Loans	86,779	72,204	20.2
Deposits	99,755	77,748	28.3
Capital and subordinated debentures	9,257	9,060	2.2
Common shareholders' equity	5,141	4,604	11.6
Common share information			
Share price:			
High	$ 33.25	$ 29.50	12.7
Low	23.13	21.88	5.7
Close – October 31	27.50	29.00	(5.2)
Book value – October 31	22.72	21.79	4.3
Dividend yield(2)	4.1%	4.4%	–
Number of common shareholder accounts	24,991	22,330	11.9
Number of common shares outstanding (000's)	226,259	211,272	7.1
Other statistics			
As at October 31			
Number of employees	33,098	30,375	9.0
Number of branches and offices	1,454	1,376	5.7
Number of Cashstop banking machines	1,381	1,280	7.9

(1) Certain amounts have been reclassified to conform with current year presentation.
(2) Based on the average of high and low common share prices.



Canada
1,236 branches and offices across Canada

Executive Offices:
Toronto

Regional and Vice-President Offices:
Barrie
Calgary
Edmonton
Halifax
Hamilton
Kanata
Kitchener
London
Moncton
Montreal
Ottawa
Quebec
Saint John
St. John's
Saskatoon
Sudbury
Toronto
Vancouver
Winnipeg

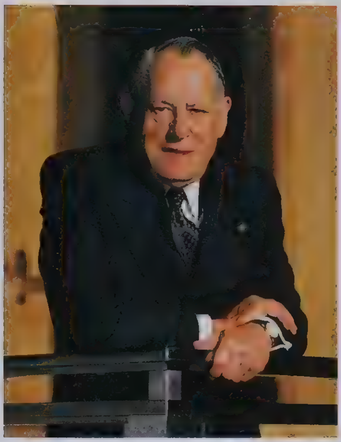
United States
Locations:
Atlanta
Boston
Chicago
Houston
New York
Portland
San Francisco

Central and South America
Locations:
Argentina
Belize
Chile
Guyana
Mexico
Panama

Caribbean
Locations:
Anguilla
Antigua
Aruba
Bahamas
Barbados
Cayman Islands
Dominica
Dominican Republic
Grenada
Haiti
Jamaica
Netherlands Antilles
Puerto Rico
St. Kitts/Nevis
St. Lucia
St. Vincent
Trinidad and Tobago
Turks and Caicos Islands
Virgin Islands (British)
Virgin Islands (U.S.)

United Kingdom, Europe and Africa
Locations:
Channel Islands
Egypt
England
Greece
Ireland

Pacific
Locations:
China
Hong Kong
India
Japan
Republic of Korea
Malaysia
Philippines
Singapore
Taiwan
Thailand



Cedric E. Ritchie
Chairman of the Board &
Chairman of the
Executive Committee

The financial year ended October 31, 1994, was marked by another strong performance by your bank. Income from operations reached record levels and several important strategic initiatives were undertaken to build revenue streams and generate future shareholder benefits. The year was also highlighted by significant asset growth — particularly domestic loan volumes — solid increases in fee income and improved credit quality.

In the second quarter of the year, special charges were taken relating to the acquisition of Montreal Trustco Inc. and to the write-off of the remaining goodwill from the 1988 purchase of ScotiaMcLeod. After the special charges of $305 million (after tax), net income for the year was $482 million, a decrease of $232 million or 32.5% from 1993. Earnings per common share were $1.76. Return on common shareholders' equity was 7.9%.

Excluding the special charges, net income would have been a record $787 million, an increase of $73 million or 10.2% over the prior year; return on equity would have been 14.1%, compared with 14.4%; and earnings per common share would have been $3.15, up from $2.98 in 1993.

Scotiabank continues to generate superior shareholder value. The dividend rate was increased in 1994 to $1.16 per common share from $1.12 in 1993. Subsequent to year end, the Board of Directors approved a further dividend increase of 2 cents per common share for the quarter ending January 31, 1995. Total common dividends paid during the year were $253 million, up $20 million or 8.5%. Although the market price of the Bank's common shares was down slightly from the prior year end, over the past five years the total return to common shareholders — including capital gains — has averaged 16.1% per year.

On April 11, 1994, the Bank completed a major acquisition, purchasing all the common shares of Montreal Trustco Inc. in exchange for 10 million common shares of the Bank, then valued at $280 million. This immediately positioned Scotiabank as a leader in personal trust services and in corporate trust, stock transfer and pension and investment fund markets in Canada. It also brought to the Bank significant deposit, residential mortgage and mid-market commercial lending business. While Montreal Trust-originated business has operated at virtually breakeven in 1994, the Bank expects it will make a positive contribution to earnings starting in 1995.

The Bank continued to build its balance sheet strength in 1994. Total capital funds increased to $9.3 billion at year end, up $0.2 billion or 2.2% from 1993. Over the past five years, capital funds have grown $4.2 billion or 81.4%. At fiscal year end, Scotiabank's capital ratio was 9.61% and the Tier 1 ratio was 6.22%, both well above the international minimum standards of 8% and 4%, respectively. Including the new issue of $200 million Series 7 preferred shares in November 1994, the Bank's capital ratio would be 9.82% and the Tier 1 ratio 6.43%.

At year end, the Bank's total assets were $132.9 billion, up $26.4 billion or 24.8% over the prior year, with solid gains across all asset categories. A significant part of this growth can be attributed to increased Canadian loan volumes, bolstered by the Montreal Trust acquisition. Securities also registered a strong gain. Net income per $100 of average assets was 40 cents, a decline from 71 cents in 1993, due mainly to the special charges. Without

"THE YEAR WAS MARKED BY ANOTHER STRONG PERFORMANCE AND RECORD INCOME FROM OPERATIONS."

these charges, net income would have been 65 cents per $100 of average assets. This decrease reflects the fact that Montreal Trust-originated business did not contribute to the Bank's income in 1994.

The Bank's overall strong performance this past year was closely linked to steady improvements in the Canadian and major world economies, which generated broad-based increases in personal and business loan demand and boosted overall credit quality. Total loans and acceptances were $91.6 billion at October 31, 1994, up $15.5 billion or 20.3% from 1993. Canadian residential mortgage growth continued to be exceptionally strong with outstandings reaching $26.8 billion at year end, an increase of $8.2 billion or 43.9%. Personal loans also rose by $1.8 billion or 15.3% to $13.4 billion at October 31, 1994, the strongest growth the Bank has achieved since 1990. Business loans and acceptances increased $5.8 billion or 14.1% to $47.1 billion at year end. These gains were evident across Canada and throughout the Bank's international operations.

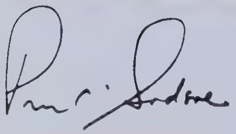
Net interest income increased 7.9% from 1993 with growth broadly based. Significantly higher total assets more than offset lower gains from the sale of securities and a decline in interest income from debt of less developed countries.

Other income for the year was almost $1.5 billion, up $295 million or 25.2% from 1993. Healthy increases were registered across most of the Bank's activities, including credit card revenues, investment banking fees, credit and acceptance fees, investment management fees and trust income.

Non-interest expenses were $3.0 billion, an increase of $670 million or 28.3% from 1993. Excluding the special charges and Montreal Trust expenses, non-interest expenses were up approximately $194 million or 8.2% from 1993. Ongoing emphasis on cost control has enabled the Bank to consistently achieve one of the best productivity ratios among major North American banks. In 1994, Scotiabank's productivity ratio was 58.3% (i.e., non-interest expenses were $58.30 per $100 of net interest and other income generated), up marginally from the prior year, due mainly to the acquisition of Montreal Trust.

Scotiabank has historically outperformed the Canadian banking industry average on most measures of credit quality. During the year, non-performing loans declined $551 million, after deducting provisions, to $1.6 billion at October 31, 1994. Non-performing loans as a percentage of total loans and acceptances were 1.8% at year end, down significantly from 2.9% in 1993. Total specific provisions for credit losses in 1994 were $592 million, down from $615 million in 1993. The charge against income for credit losses was $567 million in 1994, after a net transfer of $25 million from the general provision. The Bank's general provision for doubtful credits was $325 million at October 31, 1994, still among the highest of the major Canadian banks in both absolute and relative terms.

The Bank's gross exposure to the designated group of less developed countries declined in 1994. The total decreased $283 million to $2.5 billion at year end. Brazilian debt was successfully restructured, which allowed the Bank to exchange loans for long-term bonds, the principal of which is partially guaranteed by a pledge of U.S. treasury securities. During the year, $62 million was recorded as interest income from the sale of past due interest bonds received in 1993 from Argentina. Despite higher interest rates in world markets, the market value of the Bank's portfolio of country risk debt (excluding LDC restructured bonds) at October 31, 1994, still exceeded its book value by $271 million. The combination of country risk provisions and this excess over book value provide a prudent cushion against any unanticipated adverse developments relating to the Bank's less developed countries portfolio.



Peter C. Godsoe
Deputy Chairman of
the Board, President &
Chief Executive Officer

A high level of diversification — by geography, by product and by customer — has been a central element of Scotiabank's management philosophy for decades. Our continued drive to increase diversification underpinned a number of significant initiatives in 1994. In addition to the Montreal Trust acquisition, the Bank purchased Glacier National Life Assurance Company to broaden, over time, the range of financial services available to its customers in Canada. A major project to integrate certain investment banking activities of the Bank and those of its subsidiary, ScotiaMcLeod, was launched in 1994. This will allow both groups to better serve their clients' risk management and capital market requirements.

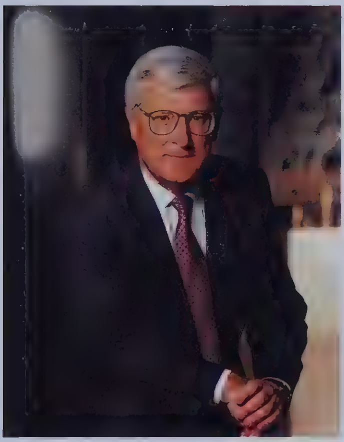
"SCOTIABANK HAS CONSISTENTLY ACHIEVED ONE OF THE BEST PRODUCTIVITY RATIOS AMONG MAJOR NORTH AMERICAN BANKS."

Scotiabank has the broadest international representation of all Canadian banks with operations in more than 40 countries around the world. Further extending this significant international reach, the Bank opened new offices during the year in Bangkok, the U.S. Virgin Islands, Puerto Rico and Trinidad and Tobago. Plans were also announced to open the first Canadian bank branch in the city of Guangzhou, in southern China and to increase our operations in India with a new branch in New Delhi to complement our presence in Bombay. Scotiabank remains the only Canadian bank with branches in India. The Bank also signed an agreement to purchase a 25% interest in Banco Quilmes, Argentina's seventh largest private sector bank.

"THE ULTIMATE REASON FOR SCOTIABANK'S SUCCESS – AND OUR CONFIDENCE IN THE FUTURE – IS OUR PEOPLE."

This ongoing diversification enables the Bank to effectively serve customers' needs around the world. Scotiabank's success has always been, and will continue to be, a product of the success of our customers. The ultimate strength of an organization like ours, therefore, lies in a commitment to customers and to service excellence.

In conclusion, the primary reason for Scotiabank's performance in 1994 — and the Bank's confidence for future success — is its people. We applaud the outstanding customer service efforts and dedication of the more than 33,000 employees of the Scotiabank group around the world.



Bruce R. Birmingham
Vice-Chairman of the Board

The Board of Directors

We are pleased to acknowledge the dedicated service to the Bank and its shareholders by the Board of Directors. Newly appointed as a Director during the year was Mr. John T. Mayberry, President and Chief Executive Officer, Dofasco Inc.

The Directors were saddened to learn of the deaths of five Honorary Directors — our former colleagues Mr. Donald McInnes, O.C., Q.C., LL.D., D.C.L.; Mr. A. Barnet Maclaren; Mr. W. Herman Browne; Mr. Donald G. Willmot and Mr. Frank H. Sherman, B.Sc., LL.D.

Scotiabank's Directors, management and employees are committed to continue to act with prudence and skill in serving current and emerging customer needs and to continue to provide wise stewardship on behalf of shareholders.

Retail Banking led the way to Scotiabank's financial success in 1994, registering strong overall increases in consumer loans, deposits and fee income. Scotiabank was also successful in building retail banking market share in Canada.

We expect continued growth in 1995, based on a wider range of products and services, an expanded customer base and an increased marketing reach provided by our acquisition of Montreal Trust.

Residential mortgages grew rapidly in 1994, increasing $8.2 billion, or more than 40 per cent over 1993. Volumes during the early part of the year were particularly strong, as customers took advantage of low interest rates to obtain mortgages or funds for other expenditures. With the support of an enhanced on-line mortgage system, branch staff were able to provide quicker responses to customer enquiries and deliver better service.

STRENGTH THROUGH SERVICE

This, together with aggressive marketing and effective branch sales efforts, brought a significant number of new mortgage customers to the Bank. Strong rates of growth were also evident in the credit card, Scotia Plan and ScotiaLine consumer loan products.

The marketing of innovative products, such as our flexible GIC and Scotia Value Account, enabled branches to compete effectively and increase market share in retail deposits.

Scotia and Excelsior mutual fund assets under administration increased to more than $3.4 billion by fiscal year end, assisted by new services such as the Scotia

Innovative products, customer research and increased strength in personal trust services further sharpened Scotiabank's ability to meet the needs of local markets. Focused sales and service efforts by all staff produced strong, overall growth.

Investment Selector and Scotia Autopilot. This growth led to a substantial increase in management fee income. Scotia Securities launched three new, no-load global mutual funds during the year, further extending our customers' access to international investment opportunities.

Scotiabank's leading position in the youth market was firmly established with the launch of the very successful Scotia Student Loan product in May. This program fills a void in the market that left many students without access to credit for their post-secondary education, by offering student loans, with or without parental guarantees. Students and post-secondary institutions alike applauded the initiative.

Montreal Trust provides the Scotiabank group with important new strength in personal trust services, including estate planning, trust administration and advisory services. This, in turn, provides an opportunity to increase revenue and profitability

E X C E L L E N C E

Increasing market share and establishing more core banking relationships

by marketing a full range of trust, investment and banking products to Scotiabank and Montreal Trust customers. The acquisition also significantly improved Scotiabank's market share in residential mortgages and personal deposit and investment services.

A major customer research program, launched in 1994, identified our service strengths and weaknesses. The results of this Canada-wide program enable our management and staff to focus service enhancements on the particular needs of the hundreds of communities in which we operate.

Our commercial banking assets grew strongly in 1994, generating substantial increases in both interest and fee income. While paying continued attention to risk management and expense control, our targeted approach to meeting customers' basic commercial banking needs resulted in the Bank gaining thousands of new loan, deposit and cash management customers.

As testimony to our commitment to small and medium-sized businesses in Canada, we booked more than $500 million in Scotia Business Improvement Loans and Scotia Professional Plan loans during the year, resulting in a 27 per cent increase in the number of business borrowers. Our bank continues to be the leading lender to small businesses under the revised Small Business Loans Act.

STRENGTH THROUGH COMMITMENT

RoyNat Inc., a subsidiary of Montreal Trustco Inc., gives the Bank new capabilities in serving small and medium-sized businesses. The company provides term financing, venture capital and merchant banking services to businesses in most industrial and commercial sectors. The total loan portfolio administered by RoyNat was $1.8 billion at October 31, 1994.

The introduction of innovative products and services over the past two years, combined with focused staff training, has equipped our bank to compete more effectively for new commercial loan and deposit customers and significantly build market share.

Thanks to outstanding referral and sales efforts of Scotiabankers across the country, the number of doctors, dentists, veterinarians, architects, engineers

Through outstanding sales efforts, the Scotia Professional Plan customer base increased 235 per cent during the year. Numerous doctors, dentists, veterinarians, architects, engineers and other professionals, such as this optician, are now Scotia Professional Plan customers.

and other professionals among our Scotia Professional Plan customers increased 235 per cent. This plan, which was launched in 1993 to establish more primary banking relationships, has been endorsed by a number of professional associations.

Scotia Leasing also enjoyed good growth, with many of the larger transactions originating at commercial banking centres across the country. A targeted vendor referral program, in which Scotia Leasing develops referral agreements with equipment vendors, particularly those who sell or lease transportation equipment, contributed to this success.

Our Commercial Banking group took advantage of niche marketing opportunities over the past year. For example, it tripled the number of businesses using the Scotia Business Overdraft Protection Plan. This plan is perfectly suited to small and

TO CUSTOMERS

Continuing our commitment to small business

medium-sized businesses which need only modest amounts of credit from time to time.

In 1995, we will continue to provide innovative commercial services through our entire branch network. We will also build more aggressively around our commercial banking centres, where we have significant expertise in serving small and medium-sized business customers. By focusing our skills more intensely, we expect to increase our market share and overall productivity.

Our Corporate Banking group turned in another year of solid earnings, showing particular strength in fee-based income. Credit fees, for example, were up $34 million or 18.2 per cent to $216 million, reflecting increased wholesale loan activity during the year.

Much of the Bank's success in this area is rooted in the long-standing relationships that we have with our large business and government clients, and our ability to provide a full range of corporate and investment banking services. Scotiabank officers have successfully used the Bank's market presence in the United States to increase our Canadian business. For example, more than 70 per cent of the clients of our Chicago office who have operations in Canada do some or all of their Canadian banking business with Scotiabank.

STRENGTH THROUGH RELATIONSHIP

Strong client relationships have also been instrumental in our success in syndicated loan markets. In 1994, we again ranked among the top 10 banks in U.S. syndicated loans, both in terms of dollar volumes and number of transactions. We were also one of the leaders in the global syndicated loan market. Scotiabank was one of three international banks chosen to arrange a US$4 billion revolving credit facility for the province of Ontario. This facility, one of the largest in Canadian history, was subsequently syndicated to banks from 10 countries.

We have developed considerable expertise in specific industries such as media and communications, energy, mining and health care, increasing our ability to more

Strong relationships with large corporate and government clients are backed by proven risk management skills and industry expertise, as well as the delivery of a full range of corporate and investment banking services.

effectively serve our corporate clients. A detailed knowledge of the massive changes under way in the health care industry enabled the Bank to lead a US$1 billion credit for one of the largest hospital chains in the U.S.

The Corporate Banking group also manages the Bank's commercial real estate portfolio. Although property markets in the United States and Canada continue to experience difficulties, we nevertheless achieved good progress in helping our clients work through problems in this area. The Bank is well positioned to benefit from the return to more favourable conditions in North American real estate markets.

Scotiabank is also strong in a variety of other services. Scotia Group Retirement Services, introduced in 1994, has enjoyed excellent results. This service is targeted at corporate and larger commercial clients with more than 100 employees, and offers money purchase pension plans, group RRSPs, deferred profit sharing plans and employee savings plans. Montreal Trust serves as the custodian and trustee of these plans.

BANKING

A well-established player in the U.S. and global syndicated loan markets

Similarly, marketing opportunities are being developed with the Corporate Services division of Montreal Trust, which offers corporate trust, stock transfer and pension and investment fund services. Corporate clients of the Bank and Montreal Trust will now benefit from the extended range of products and services offered by the Scotiabank group.

The Investment Banking group made another strong contribution to Scotiabank's results in 1994. The combined earnings of the Bank's operations and ScotiaMcLeod reached near record levels. Our success was achieved despite the significant challenges stemming from global financial market turbulence and the sharp increase in North American interest rates.

Each area of Investment Banking registered a solid performance. Underwriting, equity trading, retail sales and wholesale funding all generated healthy earnings. Continued borrowing demands by all levels of government were a contributing factor in the increased activity experienced in the bond market. In addition, the Bank had a very successful year in foreign exchange trading, as market activity picked up in step with the global economic recovery. We were able to take advantage of profitable

STRENGTH THROUGH GLOBAL

trading opportunities, notwithstanding continued exchange rate volatility throughout 1994.

Record revenues were registered in two areas where ScotiaMcLeod and the Bank are recognized leaders: North American fixed income securities and derivative products. Our success in these areas reflects our ability to provide effective solutions to specific client needs, irrespective of market conditions. We work closely with our customers to design tailored products to help manage their capital market needs and

Scotiabank's Investment Banking group and ScotiaMcLeod now share state-of-the-art trading facilities, enabling them to provide fast, customized solutions to meet customers' capital markets needs.

global financial risks. For example, ScotiaMcLeod was one of the top ranked lead managers for Euro-Canadian dollar bond issues in 1994.

Major initiatives were undertaken during the year to combine certain activities of the Bank and ScotiaMcLeod, to strengthen our ability to deliver capital market and risk control products to clients. Chief among these initiatives was the completion of new, state-of-the-art trading facilities at Scotia Plaza in Toronto. ScotiaMcLeod also relocated its executive offices to Scotia Plaza during the year, as part of our ongoing efforts to maximize synergies and overall operating efficiencies.

The combined expertise of these two groups, supported by the most sophisticated technology available today, provides superior value to our clients through the efficient delivery of customized products and services. It also allows the Investment Banking group to remain at the forefront of risk management in a rapidly changing

M A R K E T S

Strengthening and integrating our global capital markets operations

and increasingly complex market environment.

Through these initiatives, Scotiabank is moving into the ranks of major global investment banks. We are expanding the range of products that we provide to existing clients and also broadening our customer base in Canada and in major markets around the world.

STRENGTH THROUGH INTERNATIONAL

International Banking achieved record earnings in 1994. A consistent belief in global diversification has been a key factor in Scotiabank's success for more than a century. Through a network of branches, offices, subsidiaries and affiliates, we provide diversified financial services to individuals, businesses, corporations and governments in more than 40 countries on five continents.

We are committed to maintaining and building on our global operations. In particular, we believe substantial opportunities exist in the developing economies of Asia and Latin America. Through selective expansion of our existing branch network, and joint ventures with strong local partners, we can establish and further extend our global reach in huge new markets that present opportunities not available in the mature economies of North America and Europe.

Scotiabank's operations in the Caribbean, traditionally the largest contributor to the International Banking group's earnings, experienced a year of exceptional growth. We opened new branches and expanded operations in the U.S. Virgin Islands, Puerto Rico and Trinidad and Tobago.

During the year, we installed an AS400 computer system in Barbados to serve our branches there and in the Eastern Caribbean. The new system allows staff to provide customers with faster service and, for the first time, the convenience of any branch banking throughout the area. Our subsidiary in Jamaica and our affiliate in Trinidad and Tobago also introduced Mastercard credit cards.

Scotia Enterprise, the microcredit lending program launched in Guyana in 1993, has now granted more than 3,000 unsecured loans to owners of very small businesses.

The efforts of Scotiabankers around the world, selective expansion of the branch network and joint ventures with strong local partners will continue to strengthen the Bank's global reach.

In recognition of Scotia Enterprise's contribution to sustainable socio-economic development in Guyana, our bank received the Canadian Award for International Development in Industrial Co-operation.

Taking advantage of the economic potential of Asia and Latin America, we announced plans to open our first branch in China, where we have maintained a representative office for more than a decade. The branch is scheduled to open in early 1995 in Guangzhou, capital of Guangdong, China's most economically active province. It will offer a full range of foreign currency services, including trade finance and lending to local and foreign businesses.

In addition, we received an offshore banking licence in Thailand and opened our first branch in Bangkok. Just after fiscal year end, we expanded operations in India with a branch in New Delhi to complement our existing one in Bombay.

DIVERSITY

Expanding our global reach in new markets

As well, we reached an agreement in principle to purchase a 25 per cent interest in Banco Quilmes of Buenos Aires, the seventh largest private sector bank in Argentina. Banco Quilmes has total assets of US$1.2 billion and a network of 90 branches.

International Banking will continue to focus on opportunities for global expansion. Scotiabank remains committed to providing the excellent customer service that has secured it a solid place in the world banking arena for more than a century.

During the year, we made significant investments in formal staff training and facilities. We opened nine regional training centres in Canada, each with a fully equipped computer lab. Improving the sales skills of domestic frontline Scotiabankers was a priority in 1994. Many personal banking, mortgage and consumer credit officers and commercial account managers completed sales skills workshops. A risk assessment course was introduced for commercial account managers to help them better serve small and medium-sized business clients. As well, registered representatives attended investment workshops to help them assist their customers make sound investment choices.

The training programs have been well received. Staff members feel more confident, are selling more, and can see the results of their efforts reflected in their branches' performance. Every region has exceeded its projections — and that momentum is growing. The Training and Development department is now designing customer service courses in conjunction with the Bank's ongoing service improvement initiatives.

STRENGTH THROUGH CONTINUOUS

We also increased training activities outside of Canada. In the Caribbean, we opened a new training centre in Puerto Rico. Sales management and commercial selling skills programs are being piloted, sales and service programs are being expanded, and the successful Personal Best program continues to be rolled out to more branches.

One of our main human resources challenges in 1994 has been the smooth integration of Montreal Trust employees into the Scotiabank group. With the

Staff provide a level of service that makes the Bank a leader in customer satisfaction and contributes to Scotiabank's success. In 1994, Scotiabank made significant investments in formal staff training and facilities.

co-operative efforts of a broad range of working groups, comprising both Scotiabank and Montreal Trust staff, the transition is proceeding ahead of schedule.

Technology contributes significantly to Scotiabank's sales success. We are providing additional new personal computers and upgrading all existing PCs in the domestic branch network. New software is being developed to standardize screen flows to facilitate sales and service. This will make it easier for staff to cross-reference customer information and target appropriate market segments.

Scotiabank is deeply committed to the principles of employment equity. To this end, a task force is exploring recommendations to address these issues at Scotiabank. As part of this initiative, we successfully introduced an automated job posting system at Executive Offices, Operations and Investment and Corporate Banking, and are piloting the system in Toronto and Prairie Regions. Job posting

L E A R N I N G

Scotiabank is deeply committed to employment equity principles

produces a broader base of candidates from which to fill positions, and employees view the system as a more equitable way of disseminating career information. The task force is also investigating ways to introduce more flexible working arrangements that will better accommodate contemporary employee needs, while maintaining and improving customer service.

Philanthropic donations by the Bank and its subsidiaries in 1994 totalled $5 million and benefited more than 1,500 educational, medical, social and cultural organizations in Canada and around the world.

As part of our ongoing commitment to education in the Caribbean, we established a $350,000 scholarship fund at Queen's University in Kingston, Ontario. Commencing in 1995, four undergraduate scholarships, each of four years' duration, will be awarded to students residing in Caribbean islands served by the Bank.

In Canada, we continued to support the Scotiabank Marine Geology Research Laboratory at the University of Toronto, and the evolutionary biology research of Dr. Paul Liu at Dalhousie University in Halifax.

STRENGTH THROUGH PEOPLE

Scotiabank staff around the world enthusiastically contributed their time, money and energy, supporting a multitude of national and local causes, including the United Way, Big Brothers and Sisters of Canada, the Children's Miracle Network Telethon and the Terry Fox Run. In Nova Scotia, the cumulative fundraising efforts of Scotiabankers for the Terry Fox Foundation topped $1 million. Montreal-area staff from Scotiabank and Montreal Trust put their best foot forward in the Standard Life Marathon for the Montreal Children's Hospital and Hôpital Ste-Justine. Scotiabank and ScotiaMcLeod teams in Toronto pedalled on behalf of the Heart and Stroke Fund in the 50-km Ride for Heart. And in Kingston, Jamaica, the Victoria and Blake branch hosted a Christmas party for 200 children. In these and countless other ways, Scotiabankers demonstrate their willingness to help.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Financial Statements

Canada emerged as a growth leader among the G7 industrial nations in 1994.

Economic conditions improved substantially in the Bank's major markets during 1994, underpinning the best growth trends in the Bank's loan portfolio since the 1980s. With another year of solid performance likely in 1995, asset growth will remain strong and credit quality should improve.

Canada emerged as a growth leader among the G7 industrial nations, with output rising at an annual rate of more than 5% in the first half of the year. By October, employment was up nearly 320,000 from a year earlier. Canada also was a top performer in keeping inflation under control.

Exports continued to lead the expansion. Strong U.S. growth and the heightened competitiveness of domestic industries helped to push the trade surplus with the United States to a record $25 billion, more than offsetting a rising deficit with Canada's other trading partners.

The focus on raising productivity and cutting costs fuelled large increases in Canadian spending on capital equipment, and many businesses experienced a rapid improvement in their earnings. Consumer spending began to revive in 1994 as renewed job creation bolstered confidence.

Nevertheless, the lagging performance of some sectors held back improvements in domestic credit quality. Non-residential construction finally hit bottom, but a turnaround in commercial real estate was delayed by high vacancy rates in many urban centres. Even with a pick-up in resale activity, residential construction stayed near a nine-year low. Government retrenchment also remained an impediment to economic expansion.

Canada's current account deficit — which includes both merchandise and non-merchandise trade — remained stuck above $25 billion, notwithstanding a strong export performance and improved tourism. Much of this shortfall was due to the escalating cost of servicing a $325 billion international debt, which drains about $30 billion abroad annually — the equivalent of more than 4% of national income.

In 1994, the Canadian prime interest rate averaged 6.47%, flat from 1993, despite considerable interest rate volatility during the year. In the United States, the average prime interest rate was 6.75%, up 75 basis points from the prior year.

The rise in U.S. interest rates during 1994 played havoc with global bond and currency markets. While international investors were impressed with Canada's mix of improving growth and minimal inflation, concern about heavy debt burdens and political uncertainties left domestic financial markets vulnerable to periodic spasms. At the end of October, Canada's three-month treasury bill yield was roughly half way between its February low of 3.6% and the 6.7% high set in June. Longer-term rates rose about two percentage points, and despite a strong summer rally, the Canadian dollar was still almost 2 cents (U.S.) below beginning-of-year levels.

Looking ahead, U.S. and overseas interest rates are likely to rise moderately in 1995 as economic expansion adds to credit demands and inflation edges higher. Canadian markets will tend to follow these trends, though any renewed exchange rate weakness could again temporarily push domestic yields significantly higher.

Canada and the United States may experience some moderation in momentum during 1995 as higher interest rates exert a drag. Nevertheless, North America will outpace Continental Europe and Japan, which are emerging from prolonged recessions. Canada will stay near the low end of G7 inflation trends, but consumer prices will likely rise by about 2% as the impact of currency depreciation and higher commodity prices filters through to the retail level.

Domestic activity will be uneven, with large government spending cuts dominating the fiscal landscape. Residential construction should begin to

Chart 1

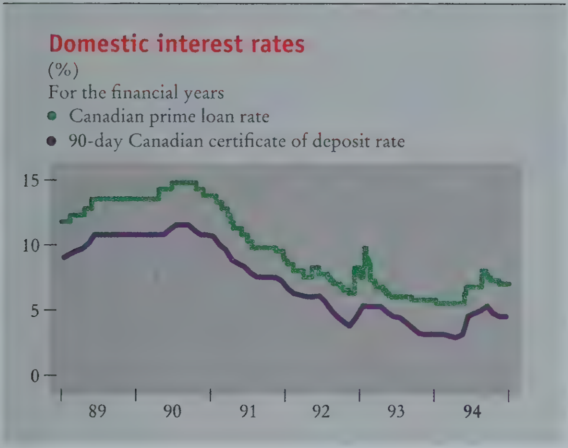


Chart 2

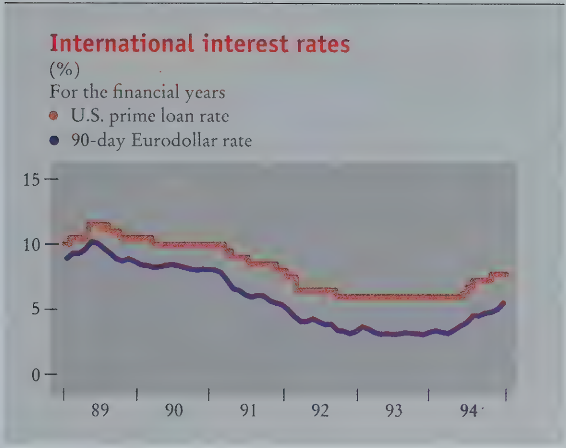


Chart 3

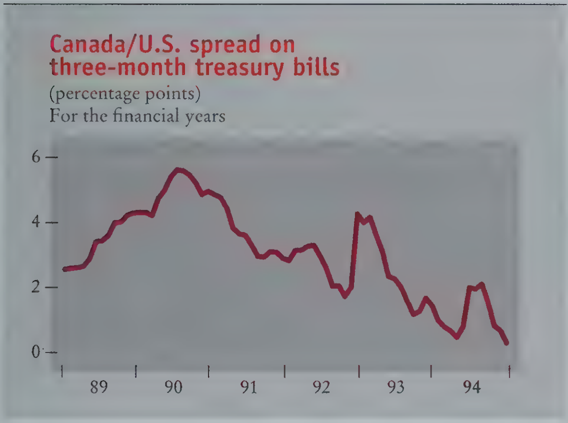
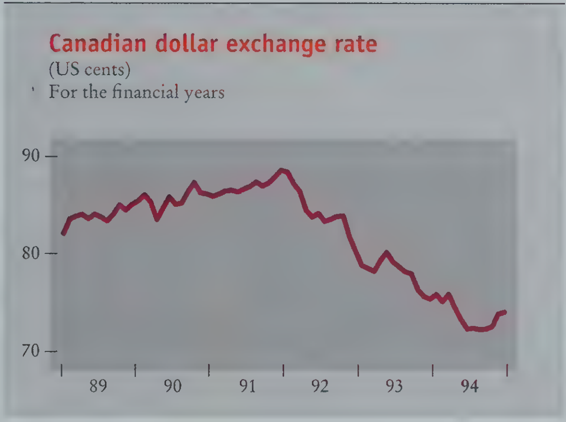


Chart 4



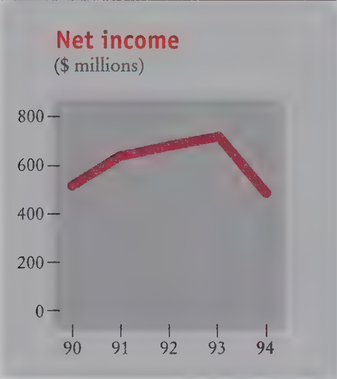
recover, but non-residential activity will be soft. Improving employment prospects will help sustain the recovery in consumer spending. However, household debt is at a record level relative to disposable income, so rising interest rates could temper buying enthusiasm.

In this environment, external sales will be the dominant engine for growth. A buoyant U.S. economy and the revival of Canada's main overseas trading partners will keep exports on the fast track. Over 80% of foreign sales are destined for the United States and a further 11% go to traditional markets in Europe and Japan. As global industrial activity strengthens, resource producers also should benefit from firmer commodity markets.

The challenge for Canadian producers is to broaden their reach into the dynamic, emerging markets of Asia and Latin America. Less than 7% of our country's exports go to these vast economies. Growth across Asia is expected to average close to 8%, a pace the G7 economies have not experienced in over four decades. Now that Latin America has broken free from a decade of stagnation, there are massive requirements for new investment in plant, equipment and infrastructure.

Canadian producers have the ability to seize many opportunities associated with these enormous requirements. Recent trade liberalisation will help to open the doors. The Bank of Nova Scotia is well positioned to serve enterprising Canadian firms initiating activities in these countries.

Chart 5



The year in brief

Net income for the year ended October 31, 1994 was $482 million, a decrease of $232 million or 32.5% from 1993. The decline was more than accounted for by special charges of $305 million (after tax) taken in the second quarter. Excluding these special charges, to allow an assessment of underlying trends in the Bank's results, income would have been a record $787 million, an increase of $73 million or 10.2% from 1993.

The special charges were $175 million (pre-tax) in restructuring costs incurred following the acquisition of Montreal Trust, a write-off of $162 million (before and after tax) of the remaining goodwill relating to the 1988 acquisition of ScotiaMcLeod, and an addition of $75 million (pre-tax) to the general provision against doubtful credits as a result of the significant increase in assets.

Financial highlights of 1994, excluding the special charges taken during the second quarter, as compared with 1993, are:

- income of $787 million, up by 10.2% from $714 million.
- earnings per common share of $3.15, up from $2.98.
- return on common shareholders' equity of 14.1% compared with 14.4% in 1993.
- return on average total assets of 0.65%, as against 0.71%.
- total assets of $132.9 billion at year end, up $26.4 billion or 24.8%.
- capital funds of $9.3 billion at October 31, 1994, up by $0.2 billion or 2.2%.
- total risk-adjusted capital ratio at year end of 9.61%, compared with 10.38% (including the new issue of $200 million Series 7 preferred shares on November 29, 1994, the Bank's total capital ratio would be 9.82%).

The improvement in income, before the special charges recorded in the second quarter of this year, was chiefly the result of increases in net interest income of $228 million or 7.9% and in other income of $295 million or 25.2%, with a partial counterbalance from the growth of $333 million or 14.1% in non-interest expenses. From 1993 to 1994, there was also an increase of $102 million in provision for credit losses charged to income.

The increase in net interest income was generated by strong asset growth internationally and domestically, including assets originated by Montreal Trust. This increase was partially offset by a decline in the interest margin.

The growth in other income in 1994 reflected the inclusion of fee-based businesses of Montreal Trust subsequent to its acquisition on April 11, a substantial growth in investment banking revenues, and good increases across most of the Bank's range of fee-earning activities. Excluding the restructuring and goodwill charges and Montreal Trust expenses, non-interest expenses rose by 8.2% in 1994.

Fiscal 1994 was another year of leadership in productivity and credit quality as well as a year of important strategic initiatives.

With the improvements in the North American and world economies, there was a decline over the year of $551 million in non-performing loans, after deducting provisions, to $1.6 billion at October 31, 1994. Non-performing Montreal Trust-originated assets were $231 million of this amount. The ratio of non-performing loans to total loans plus acceptances improved from 2.9% to 1.8% over the year.

Total specific provisions for credit losses for 1994 were $592 million (of which $25 million related to loans acquired with Montreal Trust) as compared with $615 million for the prior year. Specific provisions rose slightly in 1994 for domestic loans but declined for international business. The $567 million charge to income for credit losses in 1994 consists of $592 million in specific provisions, less the net transfer of $25 million from the general provision for doubtful credits. This compares with $465 million

in 1993, when $615 million in specific provisions were partly offset by a $150 million transfer from country risk provision.

Despite the special charges taken in the second quarter, and the increase of $25 million in dividend payments, the results of the year contributed $141 million of internally generated capital to retained earnings.

Fiscal 1994 marked another year in which Scotiabank continued to be a leader among Canadian banks in productivity and credit quality and it was the year of a number of important strategic initiatives that will bring significant benefits in the future. During 1994, the Bank acquired Montreal Trust, which brings a leadership position in corporate trust services, strength in personal trust, and important new business in a number of deposit and loan categories. The Bank extended its international diversification through several new offices and strategic alliances. The Bank also began the process of co-locating the investment banking activities of the Bank itself and those of its subsidiary, ScotiaMcLeod.

During the course of 1994, negotiations between Brazil and major international banks led to a successful restructuring of Brazilian debt, which had accounted for the majority of the Bank's unrestructured exposure to less developed countries (LDCs). The Bank received past due interest bonds of $115 million, face value, from Brazil in 1994 as part of the restructuring. These bonds were recorded at $1.

At October 31, 1994, there was an excess of $271 million in the market value over net book value of the portfolio of country risk debt (excluding LDC restructured bonds but including the past due interest bonds) compared with $510 million at the end of 1993. The decline in the surplus chiefly resulted from the impact of higher interest rates in world markets.

Higher interest rates also caused a reduction in the market value of the Bank's investment portfolios of bonds (including LDC restructured bonds) and other securities. At year end, their aggregate market value was $282 million less than book value. These securities are held for investment purposes and accordingly gains and losses are only included in income on disposal.

Earnings and dividends per common share

Earnings per common share in 1994 were $1.76, a decline of $1.22 from $2.98 in 1993. Excluding the special charges incurred in the second quarter of 1994, earnings per common share would have been $3.15, an increase of 17 cents per share from 1993.

The average number of shares outstanding rose 10.4 million or 5.0% from 1993 to 218.7 million, reflecting the 10 million shares issued in April as part of the Montreal Trust acquisition, as well as shares issued under the Bank's Shareholder Dividend and Share Purchase Plan. The percentage of common shares enrolled in this plan decreased from 46.8% to 43.9% over the course of 1994.

The dividend rate in 1994 was $1.16 per share, an increase from $1.12 in 1993. The Bank has increased the dividend rate on its common shares in 23 of the last 25 years. The common dividends of $253 million paid during 1994 were up by $20 million or 8.5%. Common dividends were equivalent to 65.8% of income available to common shareholders. If the special charges are excluded from the calculation, this figure drops to 36.7%, versus the 37.8% average of the preceding four years.

In 1994, the Bank paid dividends of $97 million on preferred shares, up $5 million or 5.2% from the previous year. This increase reflects the full year's dividend payment on Series 6 preferred shares, which were issued in 1993.

Chart 6

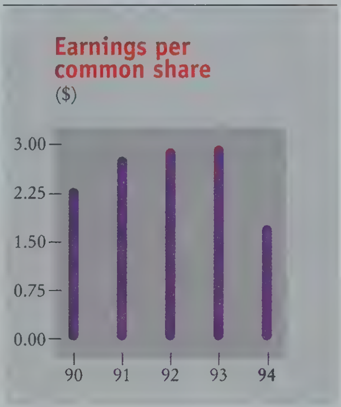


Chart 7

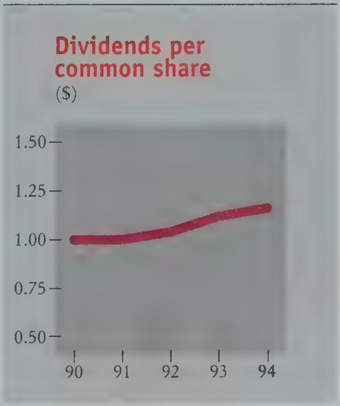
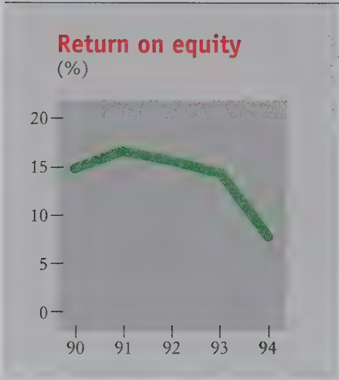


Chart 8

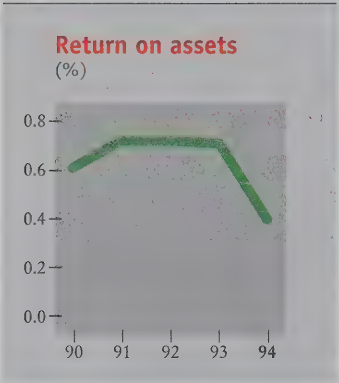


Return on equity

Almost all of the decline in return on equity (ROE) from 14.4% in 1993 to 7.9% in 1994 resulted from the special charges in the second quarter. Without these, ROE would have been 14.1%. Although underlying income increased by 10.2%, average common shareholders' equity rose by 12.7% over the year, because of higher retained earnings, the issuance of 10 million shares to pay for Montreal Trust, and dividend reinvestment.

Total return to a shareholder from investing in common shares consists of the total dividends and the capital gain or loss on the shares over a period of time. While the total return was a negative 0.9% in 1994, the annualized total return for the five-year period to the end of 1994 was 16.1%.

Chart 9



Return on assets

Return on assets (ROA) — net income as a percentage of average total assets — is a key measure of overall bank operating performance. The decline in ROA from 0.71% in 1993 to 0.40% in 1994 was chiefly the result of the special charges in the second quarter. After excluding the special charges, the ROA was 0.65%.

In addition, while average total assets rose 19.6% during 1994, over a quarter of this increase came from the acquisition of Montreal Trust. Assets originated by Montreal Trust did not contribute to the Bank's results in 1994, thereby reducing the Bank's ROA. As discussed later in this report, the Bank expects that Montreal Trust will make a positive contribution to earnings beginning in 1995.

Strategic and financial objectives

Strategic and financial objectives

The Bank's main business strategy is to build on the strengths it has acquired over many years of successful operation as a leading Canadian-based international bank. These strengths include:

- a traditional emphasis on productivity that has made the Bank a low-cost supplier.
- superior credit quality.
- a history of diversification, across four major business lines — branch banking in Canada, corporate banking, investment banking, and international branch banking — that has given the Bank diversification by customer, product, and geography.
- a commitment to customer service.

The Bank's medium-term financial objectives are based on careful assessments of the scope for improvements to current activities, the room for profitable expansion in various markets, the changing requirements of customers, and broad economic trends in Canada and internationally.

On the basis of these considerations, the Bank's goal is to earn a specific premium over risk-free returns as defined by Government of Canada bonds. This goal presently approximates a return on equity of 14%. Over the longer term, with the achievement of this return on equity, the Bank aims to enhance shareholder value through a combination of dividend increases and growth in book value, which should translate into a higher market value of the Bank's common shares.

Acquisition of Montreal Trust

On April 11, 1994, Scotiabank acquired all the common shares of Montreal Trustco Inc. The total consideration amounted to $280 million and comprised 10 million common shares of the Bank valued at the closing price on The Toronto Stock Exchange on April 8, 1994.

The acquisition, which was accounted for using the purchase method, is summarized in Note 17 to the Consolidated Financial Statements. No goodwill resulted from the acquisition.

Montreal Trust brings with it a leadership position that has taken over a century to build in remunerative trust business lines including corporate trust services, notably pension and investment management, stock transfer, trusteeships, and securities custody. It is also strong in many aspects of personal trust services, including executor, trustee, and advisory services for individuals.

On the commercial lending side, Montreal Trust, through its subsidiary — RoyNat — specializes in term financing to the small and medium size business sector.

Through this diversification, the Bank now has an opportunity to market trust products as well as banking products to both Scotiabank and Montreal Trust customers, thereby increasing the Bank's revenue and profitability.

With this acquisition, the Bank has significantly increased its share of residential mortgages and personal deposits, and strengthened its position in mid-market commercial finance in Canada. The Montreal Trust acquisition added $10.7 billion to the Bank's assets which, at year end, stood at $132.9 billion.

Montreal Trust brings a leadership position in remunerative trust business lines. The Bank has also significantly increased its share of residential mortgages and personal deposits.

Table 1

Assets under administration and management
($ billions)

As at September 30, 1994	Bank	Montreal Trust	Consolidated
Institutional trust and custodial services	$ 58.2	$ 78.7	$ 136.9
Personal trust and custodial services	16.5	2.5	19.0
Retail mutual funds	2.6	0.8	3.4
Serviced mortgages	1.7	0.5	2.2
Total assets under administration	$ 79.0	$ 82.5	$ 161.5
Institutional	$ 1.4	$ 3.0	$ 4.4
Personal	0.2	0.7	0.9
Retail mutual funds	2.6	0.8	3.4
Total assets under management	$ 4.2	$ 4.5	$ 8.7

In addition, as shown in Table 1, assets under administration and management have significantly increased and, on a consolidated basis, now total $161.5 billion under administration as well as $8.7 billion under management.

Another strategic benefit from the acquisition will be realized as Montreal Trust's costs are reduced through operational restructuring and the integration of branch systems. A provision of $175 million was taken to cover restructuring costs, which include the systems conversions, and equipment and premises, marketing, and human resources integration costs. The Bank has already successfully integrated Montreal Trust's computer processing into the Bank's facilities and expects to complete the conversion of the branch computer systems shortly after fiscal year end.

While Montreal Trust-originated business has operated at virtually breakeven in 1994, the Bank expects that it will make a positive contribution to profit beginning in 1995 as the benefits of restructuring and other synergies are realized.

Other developments

During the past year, the Bank also purchased Glacier National Life Assurance Company, which will be renamed Scotia Life Insurance Company. The purchase price was $12.6 million. Over time, this acquisition will broaden the range of financial services available to Scotiabank customers, and extend the Bank's presence in the global financial services industry.

As well, the Bank continued its strategy of international expansion, with an agreement to purchase a 25% interest in Banco Quilmes in Argentina. This agreement, which was in the process of being closed at year end, will result in an investment of $78 million. Banco Quilmes is Argentina's seventh largest private sector bank, with a network of 90 branches.

Revenue and expenses

Chart 10

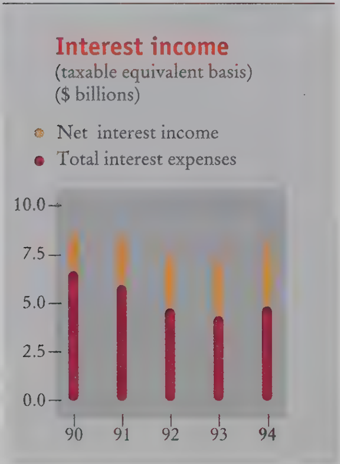
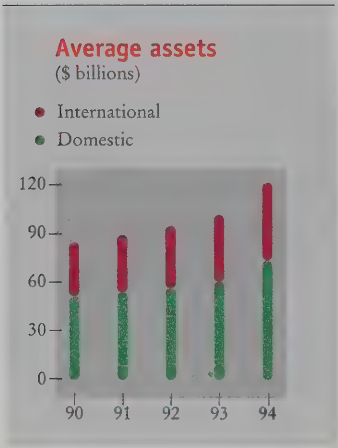


Chart 11



Net interest income

Net interest income, for the purpose of this analysis, is defined as interest earned on assets (on a taxable equivalent basis) less interest paid on deposits and other liabilities plus net income from the sale of securities. As shown on Chart 10, net interest income was $3.2 billion in 1994, up by $231 million or 7.9% from 1993, of which $76 million was from the inclusion of the interest income of Montreal Trust.

The most important factors contributing to the increase in net interest income were:

- the increase in average total assets, excluding Montreal Trust, of $14.4 billion or 14.3% compared with 1993. Including Montreal Trust, as shown in Chart 11, they were up $19.8 billion.
- growth in interest profit from international operations, largely as a result of strong increases in Caribbean operations.

These were partially offset by:

- lower gains from the sale of investment securities; $52 million in 1994 as against $120 million in 1993.
- a decline in interest income from debt of less developed countries, primarily due to lower income in 1994 from the sale of past due interest bonds — $62 million from the sale of Argentinean bonds in 1994 as against $82 million from the sale of bonds from Brazil in 1993.

The Bank's net interest margin of 2.62% declined 28 basis points for the year, primarily as a result of the inclusion of Montreal Trust and lower security gains.

The increase in net interest income is segregated in Table 2 into its volume and rate components. Volume growth contributed $526 million to the increase, while there was a decline of $295 million due to the lower average rate, resulting in the net increase of $231 million over 1993.

In 1995, growth in net interest income will depend largely upon continued improvement in the Canadian economy. With stronger economic performance in Canada, the personal and business loan growth of 1994 is expected to continue into 1995, even if Canadian interest rates move higher in line with those in the United States.

However, interest margins could come under pressure given increased competition, and an expected reduction in the spread between short and long term interest rates.

Assets and liabilities

Average total assets in 1994 were $120.6 billion, an increase of $19.8 billion or 19.6% year over year. Strong growth occurred across all categories of assets shown in Table 3, including an increase of $11.7 billion in loans (of which $4.6 billion related to Montreal Trust) and $4.3 billion in securities.

Table 2

Analysis of changes in net interest income

(taxable equivalent basis)
($ millions)
For the financial years

	1994 versus 1993 Increase (decrease) due to change in:		
	Average volume	Average rate	Net change
Net interest income:			
Domestic	$ 381	$ (261)	$ 120
International	145	(34)	111
Total	$ 526	$ (295)(1)	$ 231

(1) The decline of $295 million was largely due to a year-over-year reduction in securities gains ($68 million), lower sales of LDC past due interest bonds ($20 million) and the impact of a lower margin in Montreal Trust.

Table 3

Average assets, liabilities and interest rates

(taxable equivalent basis)
($ billions)
For the financial years

	1992 Average balances	1992 Average rate	1993 Average balances	1993 Average rate	1994 Average balances	1994 Average rate
Assets						
Loans:						
Domestic	$ 40.8	9.79%	$ 42.6	8.51%	$ 51.8	8.00%
International	25.4	6.84	27.3	6.44	29.8	6.54
Total loans	66.2	8.66	69.9	7.70	81.6	7.46
Securities:						
Domestic	7.7	10.83	10.2	8.56	12.8	6.21
International	7.0	8.69	8.1	7.81	9.8	7.04
Total securities	14.7	9.81	18.3	8.23	22.6	6.57
Deposits with other banks:						
Domestic	0.2	6.62	0.3	5.96	0.3	5.75
International	5.8	5.86	6.2	4.75	8.1	4.64
Total deposits with other banks	6.0	5.89	6.5	4.80	8.4	4.67
Total earning assets	86.9	8.66	94.7	7.60	112.6	7.08
Other assets including acceptances	6.9	–	6.1	–	8.0	–
Total assets	$ 93.8	8.02%	$ 100.8	7.14%	$ 120.6	6.61%
Liabilities						
Deposits:						
Domestic	$ 39.4	5.85%	$ 43.0	4.95%	$ 51.1	4.70%
International	32.9	5.74	34.4	4.59	38.7	4.52
Total deposits	72.3	5.80	77.4	4.79	89.8	4.62
Debentures	2.1	6.43	2.5	5.26	3.0	5.71
Other interest-bearing liabilities	7.1	5.24	9.0	4.83	13.7	3.55
Total interest-bearing liabilities	81.5	5.76	88.9	4.81	106.5	4.51
Other liabilities including acceptances	7.5	–	6.4	–	7.9	–
Shareholders' equity	4.8	–	5.5	–	6.2	–
Total liabilities	$ 93.8	5.01%	$ 100.8	4.24%	$ 120.6	3.99%
Net interest income on average total assets (taxable equivalent basis)		3.01%		2.90%		2.62%
Net interest income on average earning assets (taxable equivalent basis)		3.25%		3.09%		2.81%

Demand for business credit strengthened during the course of the year in North America, accompanied by strong growth in lending to households. This included growth in average Canadian residential mortgages of $5.0 billion or 28.7%, of which $2.7 billion was from Montreal Trust.

Average security holdings increased $4.3 billion or 23.7% in 1994 as both the Bank and ScotiaMcLeod increased their activity in the Canadian and U.S. markets.

Bankers' acceptances increased by $1.0 billion or 25.9%.

Average total deposits increased $12.4 billion or 16.1% in 1994. Growth in personal deposits of $6.7 billion or 22.3% accounted for about half of the total increase, of which $4.3 billion came from Montreal Trust. The remainder of the increase was through deposits acquired through wholesale operations.

The yield on average total assets fell 53 basis points to 6.61% in 1994. However, the rate paid on total liabilities declined by only 25 basis points. As a result, the interest margin declined 28 basis points from 2.90% to 2.62% in 1994.

Other income

The 25% increase in other income reflects the increasing diversification of income streams.

Other income, as shown in Table 4, was almost $1.5 billion in 1994, increasing by $295 million or 25.2% from the previous year. This reflects the growing diversification of income streams. Almost a third of this growth, $91 million, was attributable to Montreal Trust. The acquisition of an established trust operation provides the Bank with expertise and a strong market presence in a number of businesses that generate substantial fees, including personal trust, corporate trust, and stock transfer.

Much of the impact of the acquisition of Montreal Trust's fiduciary business can be seen in investment management and custodial fees, which increased a substantial $50 million from last year. As well, the major portion of the $30 million increase in personal and corporate trust fees also related to Montreal Trust.

Excluding Montreal Trust, the Bank achieved solid fee growth of $204 million or 17.4%, with this growth diversified across a number of areas.

Service charge fees increased by $26 million or 11.8%. Growth was generated both by new products, such as the Scotia Value Account — a retail transactions package — as well as by increased volumes and an expansion of the customer base, particularly in current account deposits.

Credit card revenues increased by $23 million or 24.6%, as a result of both product innovation and increased volumes of business from both personal cardholders and merchants. In addition, the Bank generated new fees from the expansion of direct payment services.

Credit fees were up $34 million or 18.2% to $216 million in 1994, reflecting Scotiabank's standing as a leading syndicator of wholesale loans in the U.S. market.

Bankers' acceptance fees increased by $16 million or 53.7% to $48 million in 1994, as favourable market conditions made borrowing through bankers' acceptances more attractive. Improved domestic economic performance also contributed to the growth.

Sharply increased revenue from mutual funds reflects the continuing development of the Bank's mutual fund business and the favourable conditions for mutual fund sales in the low-rate period of early 1994, as well as the addition to mutual fund volumes from the purchase of Montreal Trust.

Table 4

Other income ($ millions) For the financial years	1990	1991	1992	1993	1994	1994 versus 1993	Five-year compound growth
Service charges	$ 182	$ 206	$ 218	$ 218	$ 244	11.8%	7.6%
Credit card revenues	78	74	74	90	113	24.6	9.0
Credit fees	192	187	225	182	216	18.2	(0.7)
Acceptance fees	57	51	38	32	48	53.7	(5.5)
Mutual funds	2	3	7	12	38	100+	100+
Investment management and custody	8	8	9	8	58	100+	35.4
Personal and corporate trust	6	6	6	9	39	100+	38.9
Foreign exchange and precious metals	91	110	140	136	150	10.2	11.5
Investment banking	110	138	158	338	377	11.9	27.9
Other	104	99	126	144	181	25.6	12.4
Total	$ 830	$ 882	$ 1,001	$1,169	$ 1,464	25.2%	11.7%
Percentage increase (decrease) over previous year	(2.4)%	6.3%	13.5%	16.8%	25.2%		

Foreign exchange and precious metals income increased by $14 million, with particularly strong growth in North America and in the Caribbean. Investment banking activities rose by $39 million or 11.9%, primarily as a result of increased retail investor activity.

Other miscellaneous income categories rose by $37 million in 1994, a healthy increase of 25.6%. Amongst the contributors to this growth were insurance services and value-added electronic transaction services for business customers.

Looking ahead to 1995, the Bank expects continued growth in fee income, though at a slower pace than in 1994. In addition, there will be a full year's contribution from Montreal Trust in 1995, versus only six months in 1994.

Non-interest expenses

Non-interest expenses increased by $670 million or 28.3% in 1994 to $3.0 billion as shown in Table 5. Excluding the restructuring costs associated with Montreal Trust and the write-off of ScotiaMcLeod goodwill, non-interest expenses increased $333 million or 14.1%. If Montreal Trust expenses were also excluded, the increase would have been $194 million or 8.2%. For the most part, expense increases reflect both inflation and higher business volumes. Major initiatives, such as the integration and co-location of the Bank's investment banking operations with ScotiaMcLeod, also added to expense growth during the year.

Expense increases reflect business volumes and major initiatives.

Salaries and benefits

Expenses related to personnel — including salaries, pension contributions and other staff benefits — comprised 58.7% of total expenses in 1994 (excluding Montreal Trust-related restructuring costs and ScotiaMcLeod goodwill write-off), compared with 59.2% in 1993.

Salary expenses increased by $146 million or 11.6% including the impact of the acquisition of Montreal Trust. Excluding Montreal Trust, the increase was $82 million or 6.5%. This growth was due to inflation and performance-related increases.

Staffing averaged 31,848 in 1994, or 4.8% higher than in 1993. The increase was entirely the result of staff added with the acquisition of Montreal Trust. Average staffing, excluding Montreal Trust, was unchanged from 1993. There was an increase of 168 in ScotiaMcLeod arising from higher business volumes and more commissioned retail sales executives. The increase of 101 in

Table 5

Non-interest expenses ($ millions) For the financial years	1990	1991	1992	1993	**1994**	1994 versus 1993	Five-year compound growth
Salaries	$ 966	$ 1,075	$ 1,153	$ 1,255	**$ 1,401**	11.6%	8.9%
Pension and other staff benefits	76	101	117	144	**182**	26.6	23.5
Premises and equipment expenses							
Depreciation	95	105	108	112	**121**	8.4	7.9
Technology equipment rental, repairs and maintenance	96	102	110	126	**149**	18.0	10.9
Real estate rental	64	91	107	97	**111**	14.8	15.0
Building repairs and maintenance	50	58	64	67	**71**	6.7	8.2
Property taxes	31	35	39	41	**41**	(1.4)	9.3
Office equipment rental, repairs and maintenance	15	16	16	17	**18**	6.7	4.0
Miscellaneous	13	14	17	21	**22**	3.3	15.5
	364	421	461	481	**533**	10.8	10.3
Other expenses							
Travel, business development and professional expenses	72	81	96	93	**112**	19.5	10.3
Communications	76	79	81	83	**92**	10.9	3.3
Capital and business taxes	51	62	70	73	**88**	20.7	14.2
Stationery and office supplies	39	43	40	40	**45**	12.2	1.4
Deposit insurance premiums	22	23	25	30	**48**	58.4	17.3
Goodwill amortization	12	12	13	13	**4**	(68.3)	(13.6)
Miscellaneous expenses	96	98	117	151	**191**	26.6	15.0
	368	398	442	483	**580**	19.9	9.9
Sub-total	1,774	1,995	2,173	2,363	**2,696**	14.1	10.1
Restructuring costs	–	–	–	–	**175**	n/a	n/a
Goodwill write-off	–	–	–	–	**162**	n/a	n/a
Total non-interest expenses	$ 1,774	$ 1,995	$ 2,173	$ 2,363	**$ 3,033**	28.3%	12.0%

average staffing in international operations was mainly the result of business growth in the Caribbean. Offsetting these were decreases in most other parts of the Bank's operations, particularly domestic branches, where staffing reductions were achieved despite significant increases in asset volumes.

Pensions and other staff benefits increased by $38 million or 26.6% ($30 million or 21.0% excluding Montreal Trust). The magnitude of the increase reflects in part a credit of $3 million from the Bank's Canadian pension plan in 1993, whereas an expense of $5 million was recorded in 1994. As well, higher costs were incurred for medical and dental benefits, government pension plans, and the Employee Share Ownership Plan.

Premises and equipment expenses

Total premises and equipment expenses increased by $52 million or 10.8% in 1994. Excluding the impact of Montreal Trust, the growth was $25 million or 5.1%. The acquisition of Montreal Trust added 63 domestic branches to the Scotiabank group, although this number will be lower after a period of rationalization.

Depreciation and technology-related expenses rose in 1994 as the Bank continued to invest in customer service and a broader range of products. Automation initiatives occurred in support of all areas of the Bank, most prominently in domestic commercial and retail services and in investment banking.

Other expenses
Other expenses totalled $580 million in 1994, up $97 million or 19.9% over the level of the previous year. Excluding Montreal Trust, the increase was $57 million or 11.9%.

Approximately $18 million of the increase was in Canada Deposit Insurance Corporation (CDIC) premiums. While there was growth in the Bank's insurable deposits, the more significant contributor to the higher costs was the rise in premium rates in mid-1993 and in mid-1994. Including Montreal Trust, the full-year impact of the most recent rate change will further increase these expenses by $7 million in 1995 even without any growth in insurable deposits.

In addition to this cost, increases were registered in capital taxes — mainly due to increased levels of capital.

Restructuring costs

Following the acquisition of Montreal Trust, it was necessary to integrate and restructure operations in order to maximize the operating efficiency and synergy of the two organizations. As a result, an integration plan was prepared by each functional area which detailed the post-acquisition costs that would be incurred over the restructuring and integration period. These costs covered systems conversion, branch and office closures and mergers, staff relocation and severance, training, advertising and other related items. In total, these costs amounted to $175 million, which was charged to income in the second quarter of fiscal 1994, the period in which the restructuring decision was made.

The initial phase of this restructuring involved the integration of Montreal Trust's computer processing with the Bank's facilities. This was followed by the conversion of branch computer systems which will be completed shortly after the fiscal year end. The remaining phases of the restructuring activities are to be undertaken following the completion of this conversion.

Payments of $19 million relating to this restructuring were made in fiscal 1994, and charged against the provision which had been recorded in the second quarter. The rest of the costs will be paid over subsequent fiscal periods as the remaining restructuring and integration activities are completed.

Write-off of goodwill relating to ScotiaMcLeod

During 1994, the Bank wrote off $162 million of unamortized goodwill relating to ScotiaMcLeod. This goodwill arose on the acquisition of the company in 1988. The consideration paid was $423 million and reflected market conditions prevailing at that time. The purchase price resulted in goodwill of $226 million, which was being amortized over 20 years in accordance with the Bank's policy.

Goodwill represents the excess cost of an investment over the fair value of the net identifiable assets acquired and is amortized over the estimated period to be benefitted. The value of goodwill is regularly evaluated by reviewing the returns of the related business, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against income.

The determination of whether goodwill is impaired, and the measurement of any such impairment, is made on a basis that takes into account the ability of the acquired business to generate future profits and cash flows which result in the recovery of the Bank's costs and provide a return which is commensurate with the risks involved.

During the period from 1988 to 1994, the investment industry experienced a full business cycle. The return on the Bank's investment in ScotiaMcLeod, after taking the goodwill into consideration, averaged only 3% during this period, well

below the return available from alternative risk free investments. Even in fiscal 1993, which was a record year in the securities industry, the return on the Bank's investment at 10%, was unsatisfactory in relation to the Bank's own returns.

As a result of this, and a belief that significant changes were occurring in the competitive environment facing investment dealers, in fiscal 1993 the Bank and ScotiaMcLeod engaged an independent consulting firm to assist in assessing their investment banking activities. In early 1994 the study was completed, and it was concluded that satisfactory returns on the Bank's investment could not be achieved.

In light of the foregoing, management concluded that the unamortized goodwill relating to ScotiaMcLeod of $162 million was permanently impaired and thus, in accordance with generally accepted accounting principles, it was written off against income during the year.

Total taxes on the Bank were $804 million in 1994.

Taxation

The income tax provision in 1994, as shown in Note 12 to the Consolidated Financial Statements, was $455 million, compared with $490 million in 1993. The decrease was due to the decline in pre-tax income. The provision for income taxes as a percentage of pre-tax income implied an effective tax rate of 47.0% in 1994, as against 40.3% the previous year. This increase was more than accounted for by the 7.2 percentage points impact from the goodwill write-off of ScotiaMcLeod which is not deductible for tax purposes.

The effective tax rate of 47.0% was above the combined statutory rate of 42.6% in 1994 primarily due to the write-off of goodwill referred to above. This was partially offset by the lower rate of taxation on income earned by foreign operations and by the tax-exempt income generated by securities, including loan substitutes. A reconciliation of the combined federal and provincial statutory tax rate to the effective tax rate is shown in Note 12 to the Consolidated Financial Statements.

Tax-exempt loan substitutes and marketable equity securities provide lower returns than loans or bonds because income from these securities is received on an after-tax basis. For performance measurement purposes, a "taxable equivalent" adjustment is made to interest income to gross it up to equivalent pre-tax earnings. If the reported taxes were to be similarly adjusted, the provision for income taxes would have been increased by $54 million to $509 million for 1994 as shown in Table 6.

Table 6

Direct and indirect taxes
($ millions)

For the financial years	1990	1991	1992	1993	1994	1994 versus 1993	Five-year compound growth
Provision for income taxes	$ 271	$ 391	$ 475	$ 490	**$ 455**	(7.0)%	25.9%
Taxable equivalent adjustment	47	40	42	51	**54**	6.8	1.1
Taxable equivalent provision	318	431	517	541	**509**	(5.7)	21.3
Payroll taxes	49	60	69	75	**85**	13.9	16.5
Property taxes	31	35	39	41	**41**	–	9.3
Capital taxes	28	37	43	44	**55**	26.8	18.5
Business taxes	23	25	27	29	**33**	11.7	8.6
Goods and services tax (GST)	–	22	31	30	**33**	10.1	n/a
Deposit insurance premiums	22	23	25	30	**48**	58.4	17.3
Total indirect taxes	153	202	234	249	**295**	18.3	17.9
Total taxes	$ 471	$ 633	$ 751	$ 790	**$ 804**	1.9%	20.0%

In addition to income taxes, the Bank pays other indirect taxes and government levies such as payroll taxes of $85 million and capital taxes of $55 million. There were widespread increases in these taxes in 1994, partly reflecting higher rates. In total, these indirect taxes increased by $46 million or 18.3% from their 1993 level. Excluding Montreal Trust, they rose $22 million.

The largest single increase in 1994 was in Canadian deposit insurance premiums, which grew by 58.4%, to $48 million. Premiums charged by the Canada Deposit Insurance Corporation (CDIC) have increased considerably in recent years.

The Canadian Goods and Services Tax (GST), introduced in 1991, amounted to $33 million. Unlike most other Canadian businesses, banks are unable to charge GST on most products and services and therefore must absorb almost all the cost of GST paid on goods and services purchased from suppliers.

Taken together, taxes levied on the Bank totalled $804 million in 1994.

Productivity ratio

Chart 12 shows the Bank's non-interest expenses and other income, each expressed as a percentage of average total assets. The non-interest expense ratio fell by eleven basis points in 1994 to 2.23% of average assets, while the other income ratio rose by five basis points to 1.21%.

While non-interest expenses and other income have grown, reflecting the increased diversification of the Bank's business activities, the difference between the non-interest expense and other income ratios improved in 1994.

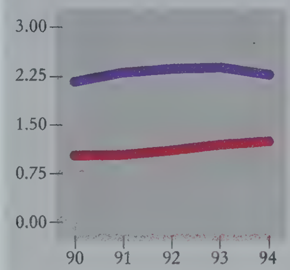
The productivity ratio (Chart 13) measures the efficiency with which the Bank deploys expenses to generate revenue. A lower ratio indicates improved productivity. The slight deterioration in this measurement in 1994 — by 0.6 percentage points to 58.3% — was almost all due to the acquisition of Montreal Trust. This company has a somewhat higher productivity ratio than the Bank, because of both a more labour-intensive mix of activities and a cost/revenue balance that the Bank expects to improve.

Nevertheless, the strong emphasis that Scotiabank has placed on cost control and productivity over the years continues to pay off, with one of the best productivity ratios among major North American banks.

Chart 12

Income and expense ratios (1)(2)
(%)

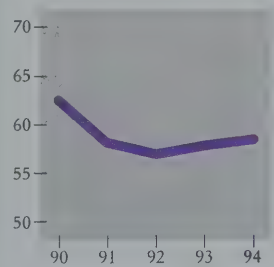
- Non-interest expenses
- Other income



(1) As a percentage of average total assets.
(2) Non-interest expenses exclude restructuring charges and the special goodwill write-off.

Chart 13

Productivity ratio (1)(2)
(%)



(1) Non-interest expenses as a percentage of the sum of net interest income (TEB) and other income.
(2) Non-interest expenses exclude restructuring charges and the special goodwill write-off.

Risk management policies, standards and procedures are reviewed independently by senior management, the Bank's internal audit department, shareholders' auditors, and regulatory bodies.

Risk management

Scotiabank's continued profitability and success depends on the effective management of the risks inherent in all aspects of the Bank's business. The strategic direction of risk management policies is set by senior executives. The Board of Directors reviews, discusses and approves those policies and monitors compliance with them.

Policies, standards and procedures are developed by senior business line management and are regularly reviewed and approved by executive management. As well, periodic reviews are conducted by the Bank's internal audit department, by the shareholders' auditors and by regulatory bodies.

The most important risks faced by the Bank relate to credit, liquidity, market and operating risk.

Credit risk is the risk of financial loss resulting from the failure of a borrower or other counterparty to honour fully its financial or contractual obligations. The nature of credit risks assumed may affect the Bank's credit rating and therefore its funding costs and business opportunities. Credit risk management, therefore, continually refines safeguards against credit losses, making use of techniques aimed at ensuring that a single event, whether related to a geographic area, industry, product or counterparty will not have a materially adverse effect on the Bank.

Liquidity risk arises from fluctuations in the Bank's cash flow. The Bank must be sure that it is able to deal with any net shortfall in cash inflow that it might experience, anticipated or otherwise. To guard against liquidity risk the Bank operates a well diversified deposit base, both by maturity and counterparty, and seeks to ensure an optimal mix of other liquidity forms such as cash, liquid assets and cash flows deriving from loans and securities.

Market risk arises from the uncertainty of future earnings resulting from changes in interest rates, foreign exchange rates, market prices, and volatility. To mitigate market risk the Bank has developed a management control process based on industry "best practices", including the segregation of duties between the front and back offices, the establishment of an independent market risk management department and the increasing use of simulation analysis, stress testing, sensitivity analysis and value-at-risk methodologies.

Operating risk is exposure to loss as a result of inadequate risk management and internal controls. These risks cover processing and settlement risk and inadequacies in documentation, credit controls, position limits, and types of instruments approved for use. Related to these considerations is the functioning of the back office operation, which handles trade confirmations, documentation, payments and accounting. Errors anywhere along the line of processing transactions and maintaining positions are potentially sources of loss. Computer or communications hardware breakdowns can also leave the Bank open to losses because of the inability to conduct business. The Bank mitigates operating risk by having in place procedures aimed at keeping senior management and the Board of Directors informed with respect to risk management and internal controls. It has independent credit and risk management departments, an independent audit department and a sophisticated systems support capability.

Credit risk

Overall, credit risk is managed through portfolio diversification. Diversification policies address geographic risk, and industry and product concentration, and also prevent excessive exposure to an individual or related group. An otherwise acceptable counterparty risk will be declined if it would result in an unacceptable concentration in the portfolio.

The Loan Policy Committee, which includes the Chief Executive Officer, the Vice-Chairman and other executive officers, establishes credit policies. These policies, which are reviewed, discussed and approved by the Board of Directors, reflect business priorities and significantly minimize the risk that any single event, whether related to a geographic area, industry, product or counterparty, can have a materially adverse effect on the Bank. Scotiabank's credit policies, standards and procedures are constantly reviewed and adjusted to match changing business, legislative and regulatory environments.

Credit applications are evaluated in accordance with a documented credit adjudication process that includes a risk rating system. Specific levels of authority have been established for credit approval. Most applications are initiated by a branch or by account officers in the field. Applications that exceed delegated authority are adjudicated by independent credit units.

Each of the Bank's major lending divisions has a senior credit committee which is chaired by a senior executive and includes its senior credit officers. These committees adjudicate credit applications and procedures. Credit applications exceeding a committee's limits are adjudicated by the Loan Policy Committee.

The Bank has guidelines for monitoring account activity throughout the life of a credit. Credit facilities are reviewed regularly, at which time all credits to a customer, including credits to related accounts, are examined.

There are procedures to confirm compliance with credit policies, to enable management to review and respond to changing market conditions, to monitor credit risk on both a sectoral and geographic basis, and to ensure the early identification of exposure to counterparties in financial difficulty.

The Bank also uses its risk rating system for tracking problem credits. The system includes those classifications prescribed by the Office of the Superintendent of Financial Institutions Canada. Once identified, credit problems are monitored and addressed by senior management. Reports relating to portfolio diversification, large credits and non-performing loans are regularly submitted to the Board of Directors.

The following sections set out the diversification of assets by major categories, geography and industry.

Diversification policies address geographic risk, and industry and product concentration.

Table 7

Components of assets ($ billions) As at October 31	1990	1991	1992	1993	1994	Percentage mix 1990	Percentage mix 1994
Residential mortgages	$ 12.8	$ 14.6	$ 16.7	$ 18.6	**$ 26.8**	14.7%	**20.1%**
Personal loans	11.9	11.6	11.1	11.6	**13.4**	13.7	**10.1**
Reverse repos	1.3	1.3	1.7	4.6	**4.3**	1.5	**3.2**
Business loans and acceptances	41.5	40.0	42.3	41.3	**47.1**	47.9	**35.5**
Total loans and acceptances	67.5	67.5	71.8	76.1	**91.6**	77.8	**68.9**
Securities	8.2	10.6	14.2	17.9	**25.6**	9.4	**19.2**
Deposits with banks	6.8	5.8	6.7	7.5	**10.2**	7.8	**7.7**
Other assets	4.3	4.3	4.7	5.0	**5.5**	5.0	**4.2**
Total assets	$ 86.8	$ 88.2	$ 97.4	$ 106.5	**$ 132.9**	100.0%	**100.0%**

Changes in the Bank's asset portfolio reflect its strategic initiatives, such as the acquisition of Montreal Trust, as well as its long-standing policies of diversification across different types of customers, business lines and geography.

Table 7 indicates the Bank's diversification by asset category. Total assets at October 31, 1994 were $132.9 billion, a year-over-year increase of $26.4 billion or 24.8%.

After a number of years of modest growth, the portfolio of loans and acceptances rose by $15.5 billion or 20.3% in 1994. About half of this growth resulted from the acquisition of Montreal Trust — but the underlying trend in the portfolio was still notably stronger than it has been for some years.

Residential mortgages, which increased $8.2 billion or 43.9%, made the largest contribution to the year's asset growth. Of this amount, almost two-thirds was accounted for by Montreal Trust-originated mortgages. Excluding these, the growth was 17.3%, which also resulted in higher market share.

Residential mortgages have been accounting for a progressively larger proportion of lending activity in recent years, and made up 20.1% of total assets, which was more than five percentage points higher than in 1990.

Personal loans were up by $1.8 billion or 15.3% to $13.4 billion, their best increase since 1990. Personal loans in Canada rose by $1.6 billion or 15.0% to $12.2 billion, with the remainder of the increase taking place in the Caribbean.

The underlying trend of growth in the loan portfolio was notably stronger than it has been for some years.

Business loans and acceptances, which increased by $5.8 billion or 14.1%, also accounted for a substantial part of the year's asset growth. About half of this came from the business loans and commercial mortgages acquired with Montreal Trust.

The gains in business lending took place in both Canada, where the increase was $4.0 billion or 22.6%, and in other markets, where business loans and acceptances were up $1.8 billion or 7.6%.

Securities also provided impetus to the year's growth in assets, increasing by $7.7 billion or 43.3%. Securities now make up 19.2% of total assets, a proportion that has increased considerably from 1990, as a result of weak loan demand during this period. There was also substantial growth in deposits with banks, which are chiefly short-term and wholesale in nature.

Table 8

Geographic distribution of earning assets(1)(2)

($ billions) As at September 30	1990	1991	1992	1993	1994 Amount	1994 % of earning assets	1994 Net cross border exposure
Canada	$ 50.4	$ 52.5	$ 55.0	$ 60.2	$ 78.1	62.7%	
United States(3)	16.8	17.4	18.7	19.5	20.4	16.4	
Subtotal	67.2	69.9	73.7	79.7	98.5	79.1	
United Kingdom	3.7	3.3	3.7	3.7	4.0	3.2	$ 1.7
France	0.8	0.5	0.6	0.9	1.5	1.2	1.0
Other Europe	2.7	2.3	3.7	4.0	4.6	3.7	2.7
Total Europe	7.2	6.1	8.0	8.6	10.1	8.1	5.4
Japan	3.8	3.8	4.1	4.0	4.6	3.7	4.3
Other Asia	1.4	1.7	2.3	2.6	3.1	2.5	1.8
Total Asia	5.2	5.5	6.4	6.6	7.7	6.2	6.1
Jamaica	0.6	0.4	0.5	0.6	0.7	0.6	–
Puerto Rico	0.8	0.7	0.8	1.2	1.2	0.9	–
Other Caribbean	1.5	1.6	2.5	2.7	3.1	2.5	0.7
Total Caribbean	2.9	2.7	3.8	4.5	5.0	4.0	0.7
Mexico	0.4	0.7	0.8	0.9	1.2	1.0	1.2
Brazil	0.3	0.2	0.3	0.3	0.4	0.3	0.4
Venezuela	0.2	0.2	0.3	0.3	0.2	0.1	0.2
Other Latin America	0.4	0.4	0.5	1.0	1.0	0.8	0.9
Total Latin America	1.3	1.5	1.9	2.5	2.8	2.2	2.7
Total Middle East and Africa	0.1	0.1	0.4	0.4	0.5	0.4	0.5
Earning assets at September 30	83.9	85.8	94.2	102.3	124.6	100.0%	$ 15.4
Other assets at September 30	4.4	4.0	4.5	4.8	7.4		
Net change in assets in October	(1.5)	(1.6)	(1.3)	(0.6)	0.9		
Total assets at October 31	$ 86.8	$ 88.2	$ 97.4	$ 106.5	$ 132.9		

(1) Earning assets include loans, mortgages, securities, deposits with banks and bankers' acceptances, net of specific provisions and provision for doubtful credits at September 30 and country risk provision at October 31. The general provision for doubtful credits was allocated across countries in proportion to net non-performing loans in 1991 and 1992. In 1993 and 1994, it has been allocated across countries in proportion to the amount of non-performing real estate credits (after deduction of specific provisions).
(2) An amount of country risk provision of $1,013 million (1993 – $325 million) has been allocated against the bonds of Brazil, Venezuela, Argentina, Dominican Republic, Poland and the Philippines. The remaining country risk provision has been prorated against the other claims based on the relative provisionable exposure in each country.
(3) The only foreign country from which more than 10% of the Bank's consolidated gross interest income was derived is the United States, where interest income was $1,001 million in 1994 (1993 – $868 million).

As shown in Table 8, total earning assets at September 30, 1994, were $124.6 billion, up $22.3 billion or 21.8% from a year earlier. Domestic earning assets increased $17.9 billion or 29.8% from 1993 to $78.1 billion in 1994, with substantial increases in residential mortgages, business lending and securities.

International earning assets increased by $4.4 billion or 10.5% to $46.5 billion. The magnitude of this figure — 37.3% of total earning assets — reflects Scotiabank's position as a major international bank with direct operations in more than 40 countries.

Associated banks or financial companies in which the Bank has taken a minority participation are reflected in this table only to the extent of the Bank's investment; the assets of these associated companies are not consolidated.

International earning assets, 37% of the total, reflect Scotiabank's position as a major international bank with direct operations in more than 40 countries.

The geographic distribution of assets in this table is determined on the basis of ultimate risk according to the residence of the borrower, or the residence of the guarantor where the loan has been guaranteed by a parent company or third party.

Net cross-border claims, as shown in the right-hand column of Table 8, arise when borrowers have obligations to the Bank denominated in other than their local currency. The risk associated with the cross-border claims is the possibility that a borrower will fail to meet its obligations because the country of residence lacks sufficient foreign exchange reserves to service its cross-border claims. Net cross-border exposure at September 30, 1994 was $15.4 billion.

Canadian and U.S. borrowers are not considered to pose cross-border risk since the Bank has extensive funding capability in both Canadian and U.S. currencies. The share of Canadian and U.S. earning assets edged up from 77.9% in 1993 to 79.1% in 1994.

Loans to U.S. borrowers reflect Scotiabank's stature as one of the top lead or co-lead banks in syndicated loans in the United States.

Total loans and acceptances

Table 9 provides details on the diversification of loans and acceptances by business sector and geographic location.

As of September 30, 1994, loans and acceptances to Canadian residents were $63.2 billion, or 69.1% of the $91.5 billion total. This proportion was up considerably from its level of 61.7% at the end of 1993, partly because of the acquisition of Montreal Trust and partly because of good underlying growth in loans to Canadian residents.

Lending to non-residents was $28.3 billion or 30.9% of loans and acceptances, reflecting Scotiabank's policy of diversification.

At September 30, loans to U.S. borrowers were $15.3 billion, reflecting Scotiabank's stature as one of the top lead or co-lead banks in syndicated loans in the United States. The decline in U.S. lending in 1994 was more than accounted for by a decline in reverse repos. The Bank's Asian operations had good growth with an increase of $0.4 billion or 15.1%. There was also a gain of $0.3 billion or 9.2% in the Caribbean.

Table 9 also shows the diversification of loans and acceptances by industry. While most sectors have grown over the past few years, real estate loans have been reduced from their peak of $8.2 billion in 1990 to $5.0 billion in 1994, a decline of 39.0% over the four-year period.

Table 9

Total loans and acceptances(1)

($ billions) As at September 30	1990	1991	1992	1993	1994	Percentage mix 1990	Percentage mix 1994
By sector:							
Residential mortgages	$ 12.6	$ 14.4	$ 16.6	$ 18.5	**$ 26.6**	18.6%	**29.1%**
Personal loans	11.8	11.5	11.1	11.6	**13.2**	17.4	**14.4**
Manufacturing and industrial	12.8	13.2	14.0	12.9	**14.0**	18.9	**15.3**
Commercial and merchandising	10.5	9.6	10.6	10.6	**15.2**	15.5	**16.5**
Real estate	8.2	7.3	6.8	6.1	**5.0**	12.1	**5.5**
Banks and other financial services	5.0	5.2	5.5	5.5	**4.9**	7.4	**5.3**
Transportation and communication	4.6	4.9	5.1	5.7	**6.9**	6.8	**7.6**
Foreign governments and central banks	0.9	0.5	1.1	1.0	**0.9**	1.3	**1.0**
Canadian governments	0.4	0.2	0.2	0.2	**0.2**	0.6	**0.2**
Reverse repos	1.0	1.3	1.8	4.9	**4.6**	1.4	**5.1**
Total loans and acceptances as at September 30	$ 67.8	$ 68.1	$ 72.8	$ 77.0	**$ 91.5**	100.0%	**100.0%**
By country:							
Canada							
Atlantic provinces	$ 5.7	$ 5.8	$ 6.2	$ 6.4	**$ 7.4**	8.4%	**8.1%**
Quebec	3.3	3.2	3.1	3.2	**5.4**	4.9	**5.9**
Ontario	24.3	24.7	24.3	25.1	**33.3**	35.8	**36.4**
Western provinces	10.9	11.1	12.1	12.8	**17.1**	16.1	**18.7**
Total Canada	44.2	44.8	45.7	47.5	**63.2**	65.2	**69.1**
United States	13.7	13.9	14.9	17.0	**15.3**	20.2	**16.7**
Europe	4.2	4.5	5.1	4.7	**4.3**	6.2	**4.7**
Caribbean	2.4	2.2	3.1	3.7	**4.0**	3.5	**4.4**
Asia	2.2	2.1	2.7	2.7	**3.1**	3.2	**3.4**
Latin America	1.0	0.5	1.0	1.1	**1.2**	1.5	**1.3**
Other	0.1	0.1	0.3	0.3	**0.4**	0.2	**0.4**
Total loans and acceptances as at September 30	67.8	68.1	72.8	77.0	**91.5**	100.0%	**100.0%**
Net change in October	(0.3)	(0.6)	(1.0)	(0.9)	**0.1**		
Total loans and acceptances as at October 31	$ 67.5	$ 67.5	$ 71.8	$ 76.1	**$ 91.6**		

(1) Total loans and acceptances are stated after specific provisions and general provision for doubtful credits as at September 30 and country risk provision as at October 31. The general provision for doubtful credits was allocated across sectors and countries in proportion to net non-performing loans in 1991 and 1992. In 1993 and 1994, it has been allocated against the real estate sector and is allocated across countries in proportion to the amount of non-performing real estate credits (after deduction of specific provisions).

In addition to loans and bankers' acceptances, the Bank also provides other credit products which are not reflected on the balance sheet. Indirect credit instruments, shown in Table 10, are a part of the Bank's traditional lending business. They consist mainly of commitments to provide funds for various lengths of time under specified conditions.

This group of credit instruments includes letters of credit, guarantees, and commitments to provide funds on both a short and long-term basis.

The risks associated with these instruments depend upon several factors, including the nature of the counterparty, the industry and geographic location in which the counterparty operates, the length of the commitment period, the collateral if any and whether the commitment is cancellable. Credit lines and limits are established for each counterparty and reviewed by credit officers following full Bank credit adjudication procedures.

Table 10

Off-balance sheet credit instruments
($ billions)

As at October 31	1992	1993	**1994**
Guarantees and letters of credit	$ 5.4	$ 6.0	**$ 7.0**
Commitments to extend credit	45.6	54.2	**61.1**
Securities lending transactions	0.3	0.7	**2.7**
Total	$ 51.3	$ 60.9	**$ 70.8**

As shown in Table 10, at October 31, 1994, guarantee and letter of credit facilities and other credit substitutes amounted to $7.0 billion, up $1.0 billion or 16.5% from the previous year. The outstanding balance of undrawn commitments to extend credit also increased by 12.8% from $54.2 billion at the end of 1993 to $61.1 billion at October 31, 1994.

Table 11 shows the exposure, by business sector, arising from direct credits to customers as well as from off-balance sheet indirect credit instruments and derivatives. The amounts for derivatives are the credit risk amounts rather than notional principals. As outlined on page 60, credit risk amounts are the gross amounts that the Bank would be required to pay if all contracts become due and payable immediately, at current market prices. They take no account of the amounts payable to the Bank by counterparties in a gain position.

Exposures arising from guarantees and letters of credit, totalling $6.9 billion, are mainly to companies in manufacturing and trade, whereas banks are the counterparties for the great bulk of the derivatives portfolio.

Table 11

Credit exposure – commercial portfolio
($ billions)

As at September 30, 1994	Loans and acceptances	Guarantees and letters of credit	Derivative products[1]	Total
By sector:				
Manufacturing and industrial	$ 14.0	$ 2.3	$ 0.2	$ 16.5
Commercial and merchandising	15.2	1.8	0.1	17.1
Real estate	5.0	0.3	0.1	5.4
Banks and other financial services	4.9	1.3	5.9	12.1
Transportation and communication	6.9	1.1	0.3	8.3
Foreign governments and central banks	0.9	–	0.1	1.0
Canadian governments	0.2	0.1	0.3	0.6
Total (excludes personal and reverse repos)	$ 47.1	$ 6.9	$ 7.0	$ 61.0

(1) Credit risk amounts as at October 31, 1994.

Table 12

Exposure to the designated group of less developed countries (LDCs)(1)(2)
($ millions)

As at October 31	1990	1991	1992	1993	1994
Exposure					
Mexico	$ 912	$ 867	$ –	$ –	$ –
Brazil	875	833	916	976	824
Venezuela	452	393	429	453	459
Chile	359	328	387	–	–
Argentina	331	299	330	277	281
Other Latin American countries	346	323	357	366	335
Philippines	232	225	254	229	212
Caribbean countries	182	173	190	230	185
European countries	144	131	148	154	126
African countries	39	37	56	48	28
Gross exposure	3,872	3,609	3,067	2,733	2,450
Country risk provision	(2,607)	(2,295)	(1,872)	(1,624)	(1,424)
Net exposure	$ 1,265	$ 1,314	$ 1,195	$ 1,109	$ 1,026
Market value(3)	$ 1,371	$ 1,693	$ 1,436	$ 1,649	$ 1,351
Excess of market value over book value	$ 106	$ 379	$ 241	$ 540	$ 325(4)
Country risk provision as a percentage of provisionable exposure	67%	64%	61%	60%	62%
Net exposure as a percentage of total shareholders' equity	33%	29%	23%	19%	16%

(1) OSFI approved the removal from the designated group of less developed countries of Mexican exposure in 1992, Chilean exposure in 1993, and Uruguayan and South African exposures in 1994.
(2) The Bank's 1994 exposure to Brazil, Venezuela, Argentina, the Dominican Republic, Poland and the Philippines is after deducting $202 million (US$149 million) of collateral.
(3) Based on average of bid and ask prices provided by major U.S. investment bankers. The market value includes $138 million (1993 – $93 million) in respect of past due interest bonds.
(4) Comprised of $271 million (1993 – $510 million) relating to loans and past due interest bonds, and $54 million (1993 – $30 million) relating to LDC restructured bonds.

Gross exposure to the group of heavily indebted developing countries as designated by the Office of the Superintendent of Financial Institutions Canada (OSFI) was $2.5 billion at October 31, 1994. This decreased by $283 million from 1993, with the largest single reduction being in the Bank's exposure to Brazil, resulting from the restructuring of its debt during the year. There were smaller reductions, for the same reasons, relating to Poland and the Dominican Republic. As a result of these restructurings, the country risk provision declined $200 million to $1.4 billion, equal to 62% of the gross exposure.

Mexico was removed from the LDC group in 1992, Chile in 1993, and Uruguay and South Africa during 1994.

Net exposure was $1,026 million, representing 16% of shareholders' equity at October 31, 1994, a decline from 19% a year earlier and 33% in 1990.

During 1994, Brazil, which at the start of the year accounted for more than half of the Bank's remaining unrestructured LDC exposure, restructured its external bank debt, marking the culmination of four years of negotiations. The Bank exchanged $1,021 million of old loans for new Brazilian sovereign bonds with a face amount of $896 million. The resulting write-down of $125 million was absorbed by the LDC provision.

The new Brazilian bonds include both fixed and floating-rate instruments and are partially secured at maturity by zero coupon bonds of the U.S. Treasury. The Bank received $115 million, face value, of a further series of new Brazilian bonds, in settlement of accumulated interest arrears. The past due interest bonds will only be included in the Bank's earnings when the bonds are redeemed or sold.

The debt restructurings completed in 1994 by Poland and the Dominican Republic covered a total of $181 million of the Bank's holdings. In both cases, the Bank exchanged old loans at a discount for new 30-year floating-rate bonds which are partially secured by zero coupon bonds issued by the U.S. Treasury. Interest arrears were simultaneously settled by the issuance of new past due interest bonds, similar to those issued by Argentina and Brazil.

A number of other countries are in various stages of negotiations with their commercial bank creditors, with a view to regularizing their relationship with the international financial community.

As shown in Table 12, just under three-quarters of the Bank's gross LDC exposure is in four countries — Brazil, Venezuela, Argentina, and the Philippines — which have all now restructured their foreign debt.

In the course of 1994, $62 million was recorded in interest income after the sale of some Argentinean past due interest bonds received in 1993. At October 31, 1994, the Bank had $138 million, at market value, in past due interest bonds.

The country risk provision continues to provide a prudent cushion against unanticipated adverse developments in the portfolio.

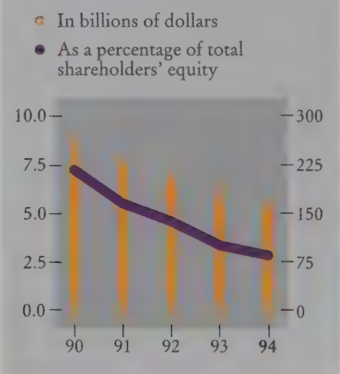
The country risk provision continues to provide a prudent cushion against unanticipated adverse developments in the portfolio. For instance, during 1994, rising interest rates in most international markets led at times to volatility in trading in the market for LDC debt. Nevertheless, the market value of the country risk portfolio (including past due interest bonds) exceeded its net book value by $325 million at year end, compared with $540 million at October 31, 1993. Of the $325 million excess, $54 million is included in the market value of the Bank's investment securities and $271 million relates to loans and past due interest bonds.

Commercial real estate exposure

Commercial real estate credit, as shown in Table 13, totalled $5.4 billion at the end of the 1994 fiscal year, down from $6.0 billion at the end of 1993 and from the peak of $8.4 billion in fiscal 1990. Approximately 55% of the portfolio is in Canada and 41% in the United States.

Chart 14

Commercial real estate exposure
($ billions)
As at October 31



The Bank plans to continue to make real estate loans in Canada, providing credit for the development and construction of strong, well-capitalized residential projects, as well as financing for high-quality commercial properties. The main market being pursued is financing homebuilders under arrangements which allow the Bank to provide residential mortgages to individual homebuyers.

In the United States, the Bank has been a lender mainly for office buildings and major shopping centres in larger cities. During 1994, it restricted growth to refinancing and extension arrangements for known borrowers, and rationalized its lending activities, concentrating on the east and west coasts. Limited real estate asset growth is expected to continue through 1995.

The difficulties of some large real estate companies have negatively affected the market, and illiquidity continues to restrict the sale or refinancing of real estate assets in North America. Market liquidity has, however, been improving in the United States, with a growing secondary market.

As at October 31, 1994, non-accrual real estate loans — after deducting specific and general provisions — were $0.9 billion, of which 60% was in the United States and 38% was in Canada.

The Bank continues to work closely with borrowers to restructure loans where this is economically feasible. In other cases, the Bank has taken control of assets to ensure their proper management and, as conditions permit, to improve their value.

Table 13

Commercial real estate exposure[1] by geographic region
($ billions)

As at October 31	1993 Amount	1993 Percent	1994 Amount	1994 Percent
Canada				
Quebec and Atlantic provinces	$ 0.3	4.6%	$ 0.3	5.1%
Metro Toronto	1.7	27.7	1.6	30.3
Other Ontario	0.6	9.9	0.6	10.4
Western provinces	0.5	9.2	0.5	8.8
Total Canada	$ 3.1	51.4%	$ 3.0	54.6%
United States				
New York City	$ 0.5	8.9%	$ 0.3	6.1%
Northeast	0.3	4.3	0.2	3.7
Mid-Atlantic	0.5	9.0	0.5	8.3
Midwest and Southwest	0.5	8.8	0.5	10.0
Southeast	0.3	4.3	0.2	4.2
Los Angeles	0.3	4.5	0.2	3.4
Other California and Northwest	0.2	4.2	0.3	5.5
Total United States	$ 2.6	44.0%	$ 2.2	41.2%
Other	$ 0.3	4.6%	$ 0.2	4.2%
Total	$ 6.0	100.0%	$ 5.4	100.0%

(1) Comprises loans, bankers' acceptances, letters of credit and guarantees, and stated after deducting specific provisions and a prorata portion of the $350 million general provision for doubtful credits for 1993 and $325 million for 1994.

Market conditions are expected to improve only gradually during 1995. In the United States, many urban markets have stabilized, and a number of the larger markets are showing improving trends.

In Canada, the outlook for the commercial and industrial sectors over the next few years is one of modest growth. While the residential market showed significant recovery in the first six months of the year, subsequent interest rate volatility has caused some consumer uncertainty and a slowdown in new housing activity.

Table 14

Commercial real estate exposure by property type
($ billions)

As at October 31	1993 Amount	1993 Percent	1994 Amount	1994 Percent
Commercial	$ 3.7	61.1%	$ 3.3	60.5%
Land and land development	1.2	20.3	1.0	18.6
Residential	0.5	8.3	0.4	7.8
Industrial	0.5	8.3	0.5	9.5
Other	0.1	2.0	0.2	3.6
Total	$ 6.0	100.0%	$ 5.4	100.0%

Net non-performing loans were brought down over the year from 2.9% of the portfolio to 1.8%.

Non-performing loans

Non-performing loans comprise non-accrual and renegotiated reduced rate loans, including loan substitutes. Income recognition policies for non-performing loans are described in Note 1 to the Consolidated Financial Statements.

In 1994, non-performing loans and credit losses were affected by a mix of improving conditions, partially offset by some lingering weaknesses in some sectors.

As detailed in Table 15, net non-performing loans were $1.6 billion at October 31, 1994, an improvement of $551 million or 25.1% from the previous year. Net non-performing loans as a percentage of total loans and acceptances improved from 2.9% to 1.8%. The percentage of the allowance for credit losses to gross non-performing loans (excluding LDCs) was 53.1% at October 31, 1994, an improvement from 45.2% last year.

Gross non-performing domestic loans rose by $479 million to $1.8 billion during 1994. Assets acquired with Montreal Trust accounted for $457 million of the increase. Net non-performing domestic loans increased by $50 million to $887 million. Excluding Montreal Trust, however, they decreased by $181 million to $656 million.

Gross non-performing loans outside Canada were reduced very sharply, by $1.7 billion, to $2.1 billion in 1994. The major part of the improvement came from the successful debt restructurings with Brazil, Poland, and the Dominican Republic which returned these countries to current status and reduced gross non-performing LDC loans by $1.1 billion.

Gross non-performing international real estate loans declined by $256 million to $1.2 billion, due partly to write-offs and the balance to improvements in the portfolio. Net non-performing international real estate loans decreased by $113 million to $587 million at October 31, 1994.

Gross non-performing loans in the international other sector fell by $274 million in 1994, chiefly because of improvements in the situations of some borrowers who had been experiencing difficulties, as well as from some writedowns and disposals. After deduction of provisions, international other non-performing loans totalled $168 million at year end, a decline of $241 million from 1993.

With the economic recovery having broadened, the Bank expects lower non-performing loans in most sectors.

With the economic recovery having broadened to include Canada and the United Kingdom as well as the United States, the expectation is that, notwithstanding some lingering problems, the Bank will experience lower non-performing loans in most sectors next year.

Table 15

Summary of gross non-performing loans[1]

($ millions) As at October 31	1990	1991	1992	1993	1994	Allowance for credit losses[2]	Net
Domestic							
Residential mortgages	$ 32	$ 83	$ 116	$ 83	$ 202	$ (64)	$ 138
Personal loans	79	128	141	115	94	(57)	37
Primary industry and manufacturing	25	103	43	262	145	(81)	64
Construction and real estate	25	91	522	531	739	(375)	364
Other	76	79	240	339	629	(345)	284
Total domestic	237	484	1,062	1,330	1,809	(922)	887
International							
Real estate	770	1,199	1,489	1,501	1,245	(658)	587
Other	308	396	502	717	443	(275)	168
Total excluding LDC	1,078	1,595	1,991	2,218	1,688	(933)	755
LDC	1,672	1,570	1,797	1,545	385	(385)	–
Total international	2,750	3,165	3,788	3,763	2,073	(1,318)	755
Gross non-performing loans	2,987	3,649	4,850	5,093	$ 3,882		
Allowance for credit losses[2]	(1,782)	(2,116)	(2,786)	(2,900)		$ (2,240)	
Total net non-performing loans	$ 1,205	$ 1,533	$ 2,064	$ 2,193			$ 1,642
Total net non-performing loans as a % of total loans and acceptances	1.8%	2.3%	2.9%	2.9%	1.8%		
Allowance for credit losses as a % of gross non-performing loans excluding LDC	8.4%	26.3%	35.7%	45.2%	53.1%		

(1) At October 31, 1994, the Bank had no other past due loans (1993: domestic – $1 million; international – $10 million).
(2) Comprises specific provisions, general provision for doubtful credits and related country risk provision.

As shown in Table 16, in 1994 the Bank recorded as income $14 million of interest on domestic and international non-performing loans and $90 million on non-performing LDC loans.

Table 16

Interest recorded as income on non-performing loans[1][2]

($ millions) For the financial years	1990	1991	1992	1993	1994
Interest					
Domestic non-performing loans	$ 7	$ 3	$ 12	$ 21	$ 13
International non-performing loans, excluding LDC	13	2	4	3	1
Interest recorded on non-performing LDC loans	26	57	34	154	90
Total interest	$ 46	$ 62	$ 50	$ 178	$ 104
Average non-performing loans					
Domestic	$ 178	$ 269	$ 553	$ 911	$ 931
International, excluding LDC	564	1,114	1,275	1,109	939
Total average non-performing loans, excluding LDC	$ 742	$ 1,383	$ 1,828	$ 2,020	$ 1,870

(1) Interest consists of cash received less prior year's accrued interest reversed in the current year.
(2) Average non-performing loans are after deduction of the specific provisions, provision for doubtful credits and related country risk provision.

Provision for credit losses

Specific provisions for credit losses amounted to $592 million, compared to $615 million in 1993, as shown in Table 17. Of the $592 million, an amount of $567 million related to the Bank and $25 million was in respect of credit losses experienced on Montreal Trust loans subsequent to the date of acquisition. The total of $592 million was reduced by a net transfer of $25 million from the general provision, resulting in a charge to the income statement for credit losses of $567 million. The 1993 charge to the income statement was $465 million, reflecting $615 million in specific provisions less $150 million transferred from the country risk provision.

Table 17

Analysis of specific provisions for credit losses
($ millions)

For the financial years	1990	1991	1992	1993	1994
New provisions	$ 392	$ 465	$ 814	$ 775	**$ 798**
Reversals	(37)	(25)	(34)	(124)	**(149)**
Recoveries	(117)	(66)	(31)	(36)	**(57)**
Total specific provisions for credit losses	$ 238	$ 374	$ 749	$ 615	**$ 592**

As a measure of its prudent approach to identifying troubled credits and then establishing provisions against them, the Bank has consistently been able to reverse a portion of prior provisions as no longer required, and each year there are also cash recoveries on loans previously written off.

These cases arise when borrowers' situations prove to be better than was anticipated at the time the loss provision was established. Over the past five years, such reversals and recoveries have totalled $676 million, including $206 million in 1994. In the five-year period, this amounted to an average of 20.8% of new provisions. Gross new specific provisions, before the deduction of reversals and recoveries, were $798 million in 1994, up 3.0% from the $775 million of 1993.

Table 18

Summary of provision for credit losses
($ millions)

For the financial years	1990	1991	1992	1993	1994
Domestic					
Residential mortgages	$ –	$ 3	$ 6	$ 7	**$ 12**
Personal loans	73	120	117	85	**65**
Primary industry and manufacturing	28	20	16	29	**81**
Construction and real estate	(38)	2	56	84	**140**
Other	15	25	52	129	**69**
Total domestic	78	170	247	334	**367**
International					
Personal loans	–	2	1	2	**1**
Real estate	88	144	363	185	**208**
Other	72	58	138	94	**16**
Total international	160	204	502	281	**225**
International consists of:					
United States	151	166	223	143	**157**
Europe, Middle East and Africa	11	26	268	124	**52**
Caribbean	1	2	5	9	**15**
Pacific	(3)	10	6	5	**1**
Total international	160	204	502	281	**225**
Total specific provisions	238	374	749	615	**592**
Provision for doubtful credits	–	–	–	–	**(25)**
Country risk provision	–	–	(300)	(150)	**–**
Total provision for credit losses	$ 238	$ 374	$ 449	$ 465	**$ 567**

Provisions against domestic accounts increased by $33 million in 1994, to $367 million, as shown in Table 18, while provisions declined by $56 million to $225 million against international accounts.

Specific provisions on domestic personal loans and mortgages were $77 million in 1994, an improvement of 16.6% from the prior year. They consisted of $48 million related to personal plan loans, $17 million on credit card loans, and $12 million on residential mortgages.

There was an increase of $52 million, to $81 million, in provisions against firms in primary industry and manufacturing. Three borrowers in different industries accounted for most of this increase. Specific provisions on domestic construction and real estate loans increased $56 million to $140 million, reflecting continued weakness in the domestic real estate sector. Provisions against other domestic accounts declined by $60 million, reflecting improved trading conditions for retailers.

Provisions in international were lower by $56 million or 19.8% from 1993 levels. Significant improvements in the United Kingdom were partly offset by higher credit losses in the United States which rose $14 million. The reduction in international credit losses in 1994 reflected a general recovery in global business conditions.

As shown in Table 19, the specific provision for credit losses as a percentage of average loans and acceptances improved from 0.85% in 1993 to 0.70% in 1994.

Assuming the continuation of economic recovery in the United States and stronger activity in other key markets, the credit loss outlook is better for 1995.

Assuming the continuation of economic recovery in the United States and stronger activity in other key markets, the credit loss outlook is better for 1995.

Table 19

Provision for credit losses as a percentage of average loans and acceptances

For the financial years	1990	1991	1992	1993	1994
Domestic:					
Residential mortgages and personal	0.33%	0.51%	0.48%	0.33%	**0.23%**
Business and other	0.03	0.23	0.64	1.32	**1.32**
International	0.80	0.91	2.05	1.06	**0.78**
Weighted subtotal(1)	0.38	0.56	1.07	0.85	**0.70**
Provision for doubtful credits	–	–	–	–	**(0.03)**
Country risk provision	–	–	(13.54)	(8.10)	**–**
Weighted total(2)	0.36%	0.53%	0.62%	0.62%	**0.67%**

(1) Ratio of specific provisions for credit losses as a percentage of non-LDC average loans and acceptances.
(2) Ratio of total provisión for credit losses as a percentage of average total loans and acceptances.

Allowance for credit losses

The allowance for credit losses, as shown in Table 20, consists of accumulated provisions, less write-offs net of recoveries. The balance of $3.3 billion in the account at October 31, 1994, consisted of $1.4 billion for the country risk provision, $1.5 billion in specific provisions, and the general provision of $325 million for doubtful credits.

The country risk provision declined by $200 million because of the writedowns made at the time of the restructurings of the bank debt of Brazil, the Dominican Republic and Poland.

The year-over-year increase of $278 million in the balance of specific provisions, from $1,252 million to $1,530 million, reflects the new provisions made during the year as well as recoveries, reversals of provisions no longer required, and write-offs, together with the allowance for credit losses of $274 million of Montreal Trust acquired on the date of acquisition.

The general provision for doubtful credits was $350 million at the beginning of fiscal 1994. By year end, the balance was reduced to $325 million through a net $25 million transfer to specific provisions. This was comprised of additions to the general provision of $17 million and $75 million in the first and second quarters respectively, offset by a reduction of $117 million in the fourth quarter of 1994. Notwithstanding this reduction, the $325 million in general provisions at October 31, 1994 was among the highest of the major Canadian banks, in both absolute and relative terms.

Table 20

Allowance for credit losses
($ millions)

For the financial years	1990	1991	1992	1993	1994
Balance, beginning of year	$ 2,731	$ 2,717	$ 2,841	$ 2,962	**$ 3,226**
Montreal Trust – balance at acquisition date	–	–	–	–	**274**
Write-offs	(356)	(216)	(625)	(405)	**(941)**
Recoveries	117	66	31	36	**57**
Provision for credit losses(1)	238	374	449	465	**567**
Foreign currency adjustment(2)	(13)	(100)	266	168	**96**
Balance, end of year	$ 2,717	$ 2,841	$ 2,962	$ 3,226	**$ 3,279**
Comprised of:					
Country risk provision	$ 2,607	$ 2,295	$ 1,872	$ 1,624	**$ 1,424**(3)
Specific provisions	110	346	890	1,252	**1,530**
Provision for doubtful credits	–	200	200	350	**325**
Total	$ 2,717	$ 2,841	$ 2,962	$ 3,226	**$ 3,279**

(1) Amounts are after reversing provisions no longer required.
(2) This adjustment represents the effect of hedging the provision for credit losses on foreign currency denominated loans.
(3) Includes $1,013 million (1993 – $325 million) which has been deducted from securities relating to less developed countries' bonds. The balance of the country risk provision is deducted from loans.

Recent developments in accounting for impaired loans

The Canadian Institute of Chartered Accountants issued Handbook Section 3025 in March 1994 dealing with accounting for impaired loans.

Impairment is now defined as a deterioration in credit quality such that the lender no longer has reasonable assurance of timely collection of the full amount of principal and interest. Impairment is to be measured as the difference between the original recorded value of the loan and its estimated realizable amount based on the present value of expected future cash flows calculated using the interest rate inherent in the original loan.

When the expected future cash flows or their timing cannot be measured with reasonable reliability, the fair value of any underlying security or observable market price for the loan may be used as an alternative means of measuring the estimated realizable amount.

The Handbook recommendation is to be applied retroactively for fiscal 1996. The OSFI is in the process of issuing an interpretation guideline of the Handbook Section for adoption by the banks.

Scotiabank is evaluating the implementation and financial impact of the new accounting requirements.

Liquidity risk

Liquidity risk arises from fluctuations in the Bank's cash flow. The Bank must ensure that it is capable of absorbing these fluctuations and meeting all its obligations as they fall due. Therefore, it has established policies and guidelines to ensure that it will be able to:

- exceed statutory liquidity and reserve requirements,
- honour all cash outflow commitments on an ongoing basis, and
- raise funds at the best rates available to first class credits.

The Bank approaches liquidity in a very conservative manner and has policies established for both the asset and liability sides of the balance sheet. These include:

- maintaining large pools of liquid assets which would be immediately available to meet any unforeseen events,
- the ability to securitize the assets of the Bank,
- careful measuring and forecasting of cash commitments,
- maintaining a large and stable base of core deposits from retail and commercial customers,
- maintaining the Bank's credit rating at a level which ensures the Bank's ability to borrow at short notice in the capital or money markets on a cost effective basis, and
- diversifying funding sources by geography, instrument, and type of depositor.

The Bank approaches liquidity in a very conservative manner — with large pools of liquid assets and a broad diversity of funding sources.

The Bank has a formal control process to deal with liquidity risk. The Board of Directors reviews, no less than annually, liquidity policies and practices. Executive management formulates and recommends these policies to the Board.

The Liability Committee, comprised of certain senior executive officers, meets weekly and reviews all material policy and liquidity recommendations. They also ensure that important political and market factors are adequately addressed.

The appropriate departments and business groups of the Bank are then advised of the policies and limit controls and are responsible for the day-to-day management of the business within established guidelines. Where specific limits are required, they are approved by the Market Risk Management and Policy Committee. Internal audit verifies compliance with the stated policies, limits and controls, and it evaluates the effectiveness of the liquidity management process.

The Bank manages liquidity by currency. Cross currency funding is undertaken only where foreign exchange markets are sufficiently liquid and where there is minimal risk of exchange regulation or sovereign risk.

Reports and forecasts are provided on a daily basis to management. The daily process includes an early morning meeting attended by senior officers from treasury, money market, and capital markets. The daily reports and forecasts are reviewed and discussed at this meeting and appropriate actions are taken.

Liquid assets

As shown in Table 21, liquid assets were $34.3 billion at October 31, 1994, an increase of 49.2% from the prior year, primarily due to an increase in deposits with banks and government securities.

Holdings of Government of Canada securities increased $3.4 billion along with growth in the debt of other Canadian governments of $0.8 billion. U.S. Treasury holdings were up $1.3 billion. Debt of other foreign governments also rose by the same amount, chiefly because of LDC securities received in exchange for loans during restructurings.

Table 21

Liquid assets
($ billions)

As at October 31	1990	1991	1992	1993	1994
Cash resources:					
Cash and deposits with Bank of Canada	$ 1.0	$ 1.0	$ 1.1	$ 1.1	**$ 1.2**
Deposits with other banks	6.7	5.8	6.7	7.5	**10.2**
Cheques and other items in transit, net	0.1	0.2	0.5	–	**–**
	7.8	7.0	8.3	8.6	**11.4**
Readily encashable assets:					
Securities issued or guaranteed by Canada	2.5	3.3	4.4	5.7	**9.1**
Securities issued or guaranteed by provinces	0.5	1.0	1.3	1.2	**2.0**
Securities issued by the U.S. government	2.1	2.2	2.5	3.1	**4.4**
Securities issued by other foreign governments(1)	0.8	1.3	1.8	2.3	**3.6**
Other encashable assets	0.5	0.8	0.9	2.1	**3.8**
	6.4	8.6	10.9	14.4	**22.9**
Total liquid assets	14.2	15.6	19.2	23.0	**34.3**
Other securities and loans	61.6	64.1	71.4	75.7	**89.4**
Other assets	11.0	8.5	6.8	7.8	**9.2**
Total assets	$ 86.8	$ 88.2	$ 97.4	$ 106.5	**$ 132.9**
Liquid assets as a % of total assets	16.4%	17.6%	19.7%	21.6%	**25.8%**

(1) Includes the collateralized bonds of Mexico and Uruguay of $0.8 billion (1993 – $0.8 billion). Also includes the restructured bonds of the designated group of less developed countries of $1.0 billion (1993 – $0.7 billion) after deducting country risk provision: total 1994 – $1.0 billion (1993 – $0.3 billion).

Securities are now the largest component of the Bank's portfolio of liquid assets. They are placed either in the investment portfolio, if they are intended to be held for relatively long periods, or in the trading portfolio, if they are to be routinely bought and sold. At year end, $17.1 billion of securities were in the investment portfolio, and $8.5 billion in the trading portfolio which is valued at market (see Note 2 to the Consolidated Financial Statements). The major portion of the trading portfolio is held by ScotiaMcLeod, operating both for its own account and as an underwriter. Most of the investment account securities and all of the trading account securities are included as liquid assets in Table 21.

Rising interest rates in 1994 reduced the market value of securities in the investment portfolio. As a result, it was below book value by $282 million at October 31, 1994. This compared with a surplus of $356 million at year end 1993.

The average duration of the non-LDC bond portfolio was 3.6 years. Given that short term funding costs are below the yield on the portfolio, there is still a positive contribution to the Bank's earnings.

Funding

The main source of the Bank's funding is deposits, which are received from a diverse group of consumers, corporations, financial institutions, governments and professional investors.

Total deposits as shown in Chart 15 grew by $22.0 billion or 28.3% from the previous year end to $99.8 billion at October 31, 1994.

Foreign currency deposits increased by $8.2 billion, rising 23.1% to $43.9 billion. Canadian currency deposits grew $13.8 billion or 32.7% to $55.9 billion, of which about $8.1 billion was in Montreal Trust-originated deposits.

As illustrated in Table 22, core funding continues to represent half of total Bank funding. The Bank's large base of core deposits, from retail and commercial customers, provides considerable stability because these deposits are diversified across many individual customers, who are served mainly through local branches.

Chart 15

Deposits
($ billions)
As at October 31

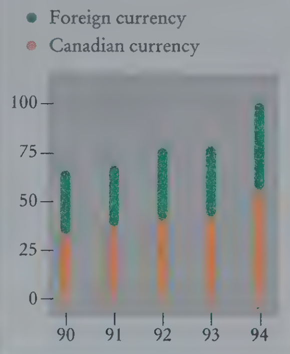


Table 22

Analysis of funding
($ billions)
As at October 31

	1990	1991	1992	1993	1994
Core funds					
Deposits	$ 33.0	$ 34.7	$ 37.5	$ 39.7	**$ 51.9**
Sundry liabilities	2.5	2.6	2.5	4.1	**4.3**
Bank debentures	1.8	2.0	2.1	3.2	**3.0**
Shareholders' equity	3.9	4.5	5.1	5.9	**6.3**
Total core funds	41.2	43.8	47.2	52.9	**65.5**
Non-core funds					
Deposits	32.3	33.1	39.1	38.0	**47.9**
Liabilities of subsidiaries other than deposits	1.2	1.1	1.3	1.8	**1.6**
Sundry liabilities	4.4	4.8	6.1	9.9	**13.1**
Total non-core funds	37.9	39.0	46.5	49.7	**62.6**
Total funding	$ 79.1	$ 82.8	$ 93.7	$ 102.6	**$ 128.1**
Core funds as a percentage of total funding	52.1%	52.9%	50.4%	51.6%	**51.1%**

The Bank has made a significant investment in technology and human resources to ensure compliance with established policies and limits.

Market risk

Market risk arises from the uncertainty of future earnings as a result of changes in interest rates, foreign exchange rates, market prices, and volatility. The Bank assumes this market risk from making consumer and corporate loans, position taking, and trading and investment activities. In doing so, it ensures that returns are adequate for the risks incurred.

The Bank has a very rigorous set of controls to manage market risk, including the appropriate segregation of duties and an involved, hands-on approach to the day-to-day market risk management process. Limits are reviewed and approved by an independent market risk management department which reports directly to the President. All pricing, trading, risk management and accounting systems undergo stringent testing and audit reviews to validate the propriety of accounting and management information. Internal controls promote effective operations, reliable accounting and regulatory reporting, and compliance with relevant laws, regulations and policies. Internal audit verifies compliance with the stated policies, limits and controls, and evaluates the effectiveness and independence of the risk management process.

The Bank has made a significant investment in technology and human resources which has facilitated the development of the necessary management tools and internal controls to ensure compliance with established policies and limits.

The market risk management process involves the Board of Directors, which reviews no less than annually, market risk policies and related processes. Executive management formulates and recommends the policies to the Board.

The Liability Committee, comprised of certain senior executive officers, meets weekly and reviews all material policies and market risks.

The appropriate departments and business groups of the Bank are then advised of the policies and limit controls and are responsible for the day-to-day management of the business within the established guidelines.

The Bank has procedures in place which allow it to regularly evaluate the impact on earnings and capital from changes in markets. These procedures are applied to the Bank's diversified businesses as follows:

- domestic banking — this is the most complex portfolio due to its size, range of products, and variety of maturities. Simulation analysis is used on an ongoing basis to assess the impact of different interest rate scenarios, changing consumer behavior, political conditions, and specific economic criteria.
- international branch operations — individually, these units are relatively small in size and are managed locally to minimize risk. They have a self-contained treasury function which, by policy, is restricted from taking any foreign exchange risk, and limited to minimal interest rate risk.
- asset and liability management and the trading portfolios — these are actively managed on a daily basis. Pricing and hedging for the majority of the Bank's trading activity is done on a real-time basis, and is subject to a mark-to-market process at least daily. Value-at-risk (an estimate of the potential loss from holding a position over a period of time) methodology is increasingly being used and regular stress testing scenarios are being adopted. This is especially important in derivative portfolios where it is necessary to understand the economic impact of market movements across a variety of instruments with different risk profiles.

  The money market books, which have a significant impact on the asset and liability management of the Bank are also monitored closely. These portfolios are largely in U.S. dollars due to the Bank's significant business

activities in the United States. They also include pounds sterling, Deutsche marks, French and Swiss francs, and Japanese yen. These portfolios are subjected to regular stress testing, and interest rate gaps are carefully monitored and adjusted as market conditions change.

- investment and LDC bond portfolio — this is the other major segment of market risk, covering the Bank's portfolios of bonds and other investment securities. They are managed with a longer term perspective. The securities are valued weekly, and evaluated by balancing their yields against their market values. While the market values of all longer-dated securities vary with interest rates in the different currencies, LDC bond values are also dependent on the credit outlook for each country.

Interest rate risk

Interest rate risk is the most significant component of market risk in the Bank. It represents the uncertainty of future earnings resulting from fluctuations in interest rates and is comprised of two principal components, position risk and trading risk.

Position risk reflects the impact of interest rate fluctuations on interest margins and earnings. Position risk is created when cash flows from principal and interest on assets and liabilities are not perfectly matched — usually referred to as the interest rate gap. As a consequence, a movement in rates will result in a change between the interest earned on an asset and the interest cost of the corresponding liability.

Trading risk results from movements in interest rates which cause price or market value changes and is discussed more extensively in the market risk section above.

An interest rate gap exists for most financial institutions that accommodate the many term preferences of depositors and borrowers. This gap is actively managed in the Bank to maximize earnings while minimizing risk.

Management of interest rate risk at Scotiabank covers gap management, simulation, and stress testing.

Table 23

Interest rate sensitivity position(1)
($ billions)
As at October 31, 1994

	Within 3 months	4 to 12 months	Over 1 year	Non-interest rate sensitive	Total
Canadian currency					
Assets	$ 32.3	$ 12.0	$ 25.0	$ 9.5	$ 78.8
Liabilities	34.5	13.3	16.2	14.8	78.8
Gap	$ (2.2)	$ (1.3)	$ 8.8	$ (5.3)	$ –
Cumulative gap	$ (2.2)	$ (3.5)	$ 5.3	$ –	$ –
Foreign currency					
Assets	$ 35.7	$ 6.4	$ 8.7	$ 3.3	$ 54.1
Liabilities	44.9	4.1	1.9	3.2	54.1
Gap	$ (9.2)	$ 2.3	$ 6.8	$ 0.1	$ –
Cumulative gap	$ (9.2)	$ (6.9)	$ (0.1)	$ –	$ –
Total gap 1994	$ (11.4)	$ 1.0	$ 15.6	$ (5.2)	$ –
Cumulative gap 1994	$ (11.4)	$ (10.4)	$ 5.2	$ –	$ –
Total gap 1993	$ (6.1)	$ 1.8	$ 8.0	$ (3.7)	$ –
Cumulative gap 1993	$ (6.1)	$ (4.3)	$ 3.7	$ –	$ –

(1) The above figures reflect the inclusion of off-balance sheet instruments as well as an estimate of prepayments on consumer and mortgage loans. The off-balance sheet gap is included in liabilities.

A liability gap is created when more liabilities than assets are subject to rate changes during a prescribed period of time. As shown in Table 23 on the previous page, the Bank's cumulative under one-year liability gap increased to $10.4 billion or, 7.8% of assets as at October 31, 1994 as compared with $4.3 billion or, 4.0% of assets at the end of the prior fiscal year. In part, the increase in the gap relative to 1993 resulted from a significant shift in consumer preference towards longer term mortgages as interest rates began their rise earlier this year. The remainder reflects increases in investment holdings.

During 1994, longer term interest rates were higher than shorter term interest rates, resulting in favourable spreads on both Canadian and foreign securities, leading Bank management to maintain a liability-sensitive gap position. This gap position can, however, be changed rapidly should market factors and management so dictate. Accordingly, the effect of unfavourable market developments can be mitigated by using global financial and capital markets.

One of the techniques to help simulate the amount of interest rate risk at any time in the Bank is to subject the balance sheet to a rate shock. Inherent in this analysis is the assumption that management takes no action to mitigate the impact of any sudden changes in interest rates. Given the Bank's interest gap at year end 1994, an immediate and sustained 100 basis point rise in interest rates across all maturities would lower net income after tax by approximately $45 million over the next twelve months. This same rate shock would reduce the value of the Bank's net assets, in present value terms, by approximately $235 million.

Foreign exchange management

The Bank buys and sells foreign currencies in the spot, forward and options markets to assist customers in their business activities. The Bank also trades for its own account in the major international currencies.

In the conduct of its foreign exchange business, the Bank assumes risks related to counterparties and to fluctuations in the prices of currencies. To control these risks, there are pre-established limits on counterparty and position exposures. These are established by senior management on the basis of policies that have been reviewed and approved by the Board of Directors and are monitored daily by senior management.

There is no significant exchange exposure in the Bank's international business as assets are typically funded in the same currency as that of the business being transacted. Management of the exchange risk of each currency is assigned to staff in that country, while the Bank's overall position is monitored centrally.

Derivative products

Derivative instruments are financial contracts whose value is derived from the level of an underlying price, interest rate, exchange rate or price index. They have become very important risk management tools for both the Bank and its customers.

Most derivative instruments can be characterized as interest rate contracts, foreign exchange contracts, commodity contracts or equity contracts. Some of the commonly known derivative instruments are interest rate swaps, currency swaps, forward rate agreements, and options including caps, collars and floors.

The Bank uses derivatives and is active both for its own account and as a dealer.

For its own account, the Bank uses derivatives primarily in the management of its interest rate risk. Derivatives have become integral to the asset and liability management process. They are mainly used to assist in the management of the interest rate risk associated with the Bank's fixed rate lending activities, which include mortgages and certain commercial and corporate loans. Derivatives are also used at the corporate level to improve the cost effectiveness of the capital structure of the Bank.

As a dealer, the Bank is primarily customer focussed. Nevertheless, it actively manages its dealing activity by selectively positioning its portfolios based on its views of the market. A comprehensive risk management process is in place to manage and monitor the trading activities. Most limits are monitored on an on-line, real time basis. Management reports are generated daily to ensure that proper compliance with policies and limits is maintained. In addition, these trading books are marked to market at least daily to reflect changes in value due to market risk factors.

As of October 31, 1994, derivatives used for the Bank's own account represented approximately 10% of the Bank's total notional principal outstanding.

Derivatives have become very important risk management tools for both the Bank and its customers.

Table 24

Derivative products
($ billions)

	Notional principal amounts(1)			Credit risk amounts(2)		
As at October 31	1992	1993	1994	1992	1993	1994
Interest rate instruments						
Futures and forward rate agreements	$ 32.3	$ 35.6	**$ 88.4**	$ 0.1	$ –	**$ –**
Interest rate swaps	91.4	126.5	**197.8**	2.9	3.9	**2.9**
Interest rate options purchased	8.0	14.6	**23.1**	0.1	0.2	**0.2**
Interest rate options sold	8.3	14.6	**24.0**	–	–	**–**
	140.0	191.3	**333.3**	3.1	4.1	**3.1**
Exchange rate instruments						
Futures and foreign exchange contracts	139.2	107.3	**133.1**	3.7	0.9	**2.3**
Currency swaps	20.0	29.4	**33.8**	0.5	0.7	**1.6**
Currency options purchased	0.8	1.3	**0.9**	–	0.1	**–**
Currency options sold	0.8	1.1	**1.0**	–	–	**–**
	160.8	139.1	**168.8**	4.2	1.7	**3.9**
Total	$ 300.8	$ 330.4	**$ 502.1**	$ 7.3	$ 5.8	**$ 7.0**

(1) Notional principal amounts are the contract amounts used in determining payment for the above instruments.
(2) Credit risk amounts are the replacement cost of all contracts without taking into account any netting arrangements.

Derivative instruments are subject to the same risks that are associated with the underlying financial instruments, namely liquidity, market, credit, operational, and legal risks.

Table 24, on the previous page, indicates the notional principal amount (NPA) and the credit risk amount (CRA) of the Bank's portfolios. The NPA is given merely to indicate the level of activity and growth in the Bank, and is not a proxy for either credit or market risk.

The CRA represents the estimated replacement cost for all contracts without taking into account any netting arrangements that may have been made. This indicates the credit risk, or the amount owing to the Bank, which would result should every counterparty with whom the Bank has a contract default at once. The CRA does not reflect actual or expected losses.

While the NPA for interest rate instruments increased significantly since 1992 due primarily to corporate customer activity, the CRA in 1994 was still less than its 1992 level as a result of a rising interest rate environment.

Table 25

Derivative exposure by product
($ billions)

As at October 31, 1994	Notional principal amounts	Credit risk amounts (a)	Potential future exposures (b)	Credit equivalent amounts (a) + (b)	CEA/ Loans and BAs	Risk adjusted assets
Interest rate instruments						
Futures and forward rate agreements	**$ 88.4**	**$ –**	**$ 0.1**	**$ 0.1**	**0.1%**	**$ –**
Interest rate swaps	**197.8**	**2.9**	**0.7**	**3.6**	**3.9**	**0.8**
Interest rate options purchased	**23.1**	**0.2**	**0.1**	**0.3**	**0.3**	**0.1**
Interest rate options sold	**24.0**	**–**	**–**	**–**	**–**	**–**
	333.3	**3.1**	**0.9**	**4.0**	**4.3**	**0.9**
Foreign exchange instruments						
Futures and foreign currency contracts	**133.1**	**2.3**	**1.4**	**3.7**	**4.0**	**0.9**
Currency swaps	**33.8**	**1.6**	**1.6**	**3.2**	**3.5**	**0.6**
Currency options purchased	**0.9**	**–**	**–**	**–**	**0.1**	**–**
Currency options sold	**1.0**	**–**	**–**	**–**	**–**	**–**
	168.8	**3.9**	**3.0**	**6.9**	**7.6**	**1.5**
Total	**$ 502.1**	**$ 7.0**	**$ 3.9**	**$ 10.9**	**11.9%**	**$ 2.4**

The Bank manages its credit risk for derivatives through the credit risk process described previously on page 39. Limits are established for each and every counterparty, and utilization measurement is based on the marked-to-market value plus an add-on for potential future exposure. This is usually called the credit equivalent amount (CEA).

Table 25 illustrates the add-on effect using Bank for International Settlements (BIS) capital adequacy rules for the calculation of the CEA. As illustrated, the CEA is only 11.9% of the on-balance sheet credit risk assumed by the Bank through its lending activities. Table 25 also shows the risk-adjusted assets, defined in the capital adequacy section, resulting from the derivative business after appropriate risk weightings have been applied.

Table 11, found in the credit risk section on page 44, shows derivative instruments by product type and industry sector. The only significant credit loss from derivatives relates to one large Canadian real estate development company which failed in 1992, which loss has been fully reserved.

Table 26 indicates the maturity profile of the derivative portfolios. As measured by notional values, over 90% of both interest rate and foreign exchange instruments have remaining terms less than five years. Generally, there is less market risk associated with short-term instruments.

Table 26

Derivative notional principal and credit risk amounts by maturity

($ billions) As at October 31, 1994		Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	**Total** **1994**	Total 1993
Interest rate instruments – notional value							
Futures and forward rate agreements		$ 70.2	$ 18.2	$ –	$ –	**$ 88.4**	$ 35.6
Interest rate swaps		54.4	122.3	18.3	2.8	**197.8**	126.5
Interest rate options purchased		10.4	12.1	0.6	–	**23.1**	14.6
Interest rate options sold		8.5	14.8	0.7	–	**24.0**	14.6
		143.5	167.4	19.6	2.8	**333.3**	191.3
	CRA	0.5	1.8	0.6	0.2	**3.1**	4.1
Foreign exchange instruments – notional value							
Futures and foreign currency contracts		129.7	3.1	0.3	–	**133.1**	107.3
Currency swaps		2.4	17.6	12.6	1.2	**33.8**	29.4
Currency options purchased		0.7	0.2	–	–	**0.9**	1.3
Currency options sold		0.8	0.2	–	–	**1.0**	1.1
		133.6	21.1	12.9	1.2	**168.8**	139.1
	CRA	2.4	1.0	0.5	–	**3.9**	1.7
Totals	Notional	$ 277.1	$ 188.5	$ 32.5	$ 4.0	**$ 502.1**	$ 330.4
	CRA	$ 2.9	$ 2.8	$ 1.1	$ 0.2	**$ 7.0**	$ 5.8

Table 27 shows the derivative credit exposure broken out by counterparty type using the Bank for International Settlements risk codings. By value of notional principal, 74% of counterparties were banks, 9% were corporates, and 5% were governments which are risk-weighted at zero.

Table 27

Derivative notional principal amounts by counterparty risk-weighting

($ billions) As at October 31, 1994	Government (0%)	Bank (20%)	Corporate (50%)	Not risk- weighted(1)	Total
Interest rate instruments					
Futures and forward rate agreements	$ 1.4	$ 62.6	$ 0.4	$ 24.0	$ 88.4
Interest rate swaps	9.6	164.4	23.8	–	197.8
Interest rate options purchased	–	16.7	2.3	4.1	23.1
Interest rate options sold	n/a	n/a	n/a	24.0	24.0
	11.0	243.7	26.5	52.1	333.3
Foreign exchange instruments					
Futures and foreign currency contracts	1.0	113.9	12.7	5.5	133.1
Currency swaps	15.2	12.7	5.9	–	33.8
Currency options purchased	0.1	0.1	0.5	0.2	0.9
Currency options sold	n/a	n/a	n/a	1.0	1.0
	16.3	126.7	19.1	6.7	168.8
Total	$ 27.3	$ 370.4	$ 45.6	$ 58.8	$ 502.1

(1) Includes exchange traded instruments, options sold, and under-14 day foreign currency contracts which attract no credit risk for capital purposes.

Capital funds

The Bank's capital funds include common and preferred shareholders' equity and subordinated debentures. These funds are used to support the Bank's asset growth, as well as to protect depositors and other senior debtholders by providing a solid buffer against loan and other losses.

In Canada, Bank capitalization is subject to stringent review and regulation by both the Office of the Superintendent of Financial Institutions Canada (OSFI) and by the Canada Deposit Insurance Corporation (CDIC).

Senior management monitors the Bank's capital funding, in light of prevailing and expected conditions in the financial markets, in order to optimize both the mix and amount of capital instruments. The Board of Directors regularly reviews, discusses, and approves policies for the management of capital funds. The Bank seeks an optimum balance between return on shareholders' investment and a prudent level of capitalization.

Capital funds reached $9.3 billion at October 31, 1994, an increase of $0.2 billion or 2.2% from the end of 1993. Over the last five years, capital funds have grown $4.2 billion or 81.4%. Contributing to this, total shareholders' equity has grown by $2.9 billion or 86.5% to $6.2 billion over the past five years. Of this growth, $1.5 billion, or one half, has been generated internally.

Internally generated capital is the portion of annual earnings retained by the Bank after dividend payments on preferred and common shares, and adjusted as required by unrealized foreign exchange movements. As shown in Table 28, the increase in common shareholders' equity during 1994 consisted of internally generated capital of $141 million; with the balance of $410 million coming from new common shares, $280 million related to the Montreal Trust acquisition and $130 million derived from the Shareholder Dividend and Share Purchase Plan.

These substantial increases in common shareholders' equity in 1994 were partly offset by declines in preferred shares and subordinated debentures, entirely due to timing considerations around the 1993 and 1994 year ends.

In October 1994, the Bank redeemed $200 million of Series 3 preferred shares and has replaced them with a new $200 million Series 7 preferred share issue on November 29, 1994.

The Bank called US$200 million of subordinated debentures in December 1993, which redemption had been prefunded late in fiscal 1993 with the issuance of US$250 million of subordinated debentures at a lower interest cost.

Chart 16

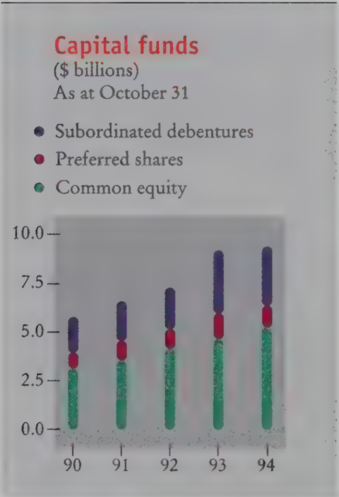


Table 28

Analysis of changes in shareholders' equity

($ millions)
As at October 31

	1990	1991	1992	1993	1994	Period 1990-94
Shareholders' equity at beginning of year	$ 3,346	$ 3,875	$ 4,536	$ 5,079	**$ 5,904**	**$ 3,346**
Internally generated capital:						
Net income for the year	512	633	676	714	**482**	**3,017**
Net unrealized foreign exchange gains (losses)	(11)	(37)	50	20	**9**	**31**
Capital from operations before dividends	501	596	726	734	**491**	**3,048**
Dividends paid	(259)	(276)	(290)	(325)	**(350)**	**(1,500)**
Net internally generated capital	242	320	436	409	**141**	**1,548**
Other sources of equity:						
Additions from/redemption of stock issues						
Common	90	95	107	121	**410**	**823**
Preferred	200	250	–	300	**(200)**	**550**
Net costs of share issue/redemption	(3)	(4)	–	(5)	**(14)**	**(26)**
Total increase in equity	529	661	543	825	**337**	**2,895**
Shareholders' equity at end of year	$ 3,875	$ 4,536	$ 5,079	$ 5,904	**$ 6,241**	**$ 6,241**

Dividend policy

Scotiabank's policy is to increase dividends in line with the trend in earnings, while ensuring that capital levels are sufficient for both growth and depositor protection. Scotiabank has paid dividends consistently every year since its inception in 1832. In addition, dividends have continued to grow, increasing 71% since 1984 to $1.16 per share in 1994.

Dividend payout ratio is the percentage of earnings available to common shareholders paid out as dividends on common shares. The payout ratio has generally been in the 30% to 40% range, but rose to 65.8% this year because of the lower net income as a result of the special charges. Excluding these, it would have been 36.7%.

Chart 17

Dividend payout ratio

(%)
For the financial years

Capital adequacy

Since the end of 1992, Canadian banks have been operating under guidelines issued by OSFI, developed under the auspices of the Bank for International Settlements (BIS), requiring that they maintain sufficient capital to meet or exceed a capital to risk-adjusted assets ratio of 8%.

For measurement purposes, capital is allocated into two tiers reflecting the relative permanence of its components (refer to the Glossary). Tier 1 capital, which is considered the more permanent, consists of common equity, non-cumulative preferred shares, and non-controlling interests in subsidiaries, less any goodwill carried on the books of the Bank. Banks must maintain a ratio of Tier 1 capital to total risk-adjusted assets of at least 4%. Tier 2 capital, considered somewhat less permanent in nature, consists primarily of subordinated debt and cumulative preferred shares, the sum of which cannot exceed total Tier 1 capital.

The Bank's Tier 1 and total capital ratios are both well above the regulatory minimum, as they have been since before the 1992 implementation date.

Capital ratios are computed by dividing the sums of Tier 1 and Tier 2 capital by risk-adjusted assets. The asset base used in the calculation requires the adjustment of both on-balance sheet and off-balance sheet assets to reflect the credit risk associated with different counterparties. These amounts are then offset by eligible collateral or guarantee values. The risk weightings to be used and the allowable adjustments are defined in the OSFI capital guidelines.

Table 29

Risk-adjusted capital ratios

(%) As at October 31	1990	1991	1992	1993	1994	Pro forma(1)
Tier 1	4.61%	5.54%	5.70%	6.45%	**6.22%**	**6.43%**
Tier 2	2.73	2.95	2.88	3.93	**3.39**	**3.39**
Total	7.34%	8.49%	8.58%	10.38%	**9.61%**	**9.82%**

(1) After giving effect to issue of $200 million Series 7 preferred shares.

As shown in Table 29, at October 31, 1994, the Bank's total capital ratio was 9.61%, and the Tier 1 ratio was 6.22%, both well above the minimum requirements. After giving effect to the new issue of $200 million Series 7 non-cumulative preferred shares on November 29, 1994, the Bank's total capital ratio would be 9.82% and Tier 1 ratio 6.43%.

Although the intent of regulators was to create a level international playing field, there have been inconsistencies in interpretation of the BIS guidelines by different national regulators. U.S. regulators, for example, have developed capital rules which are somewhat more lenient than those in Canada, allowing the inclusion of unallocated country risk provision in Tier 2 capital up to a maximum of 1.25% of gross risk-adjusted assets. Under these U.S. rules, the Bank's total capital ratio, including the new Series 7 preferred share issue, would be 10.97%.

Table 30

Regulatory capital

($ millions) As at October 31	1990	1991	1992	1993	1994
Common shareholders' equity	$ 3,125	$ 3,536	$ 4,079	$ 4,604	**$ 5,140**
Non-cumulative preferred shares	400	650	650	950	**750**
Non-controlling interest in subsidiaries	20	17	51	56	**75**
Less: Goodwill	(68)	(131)	(183)	(170)	**(5)**
Tier 1 capital	3,477	4,072	4,597	5,440	**5,960**
Cumulative preferred shares	350	350	350	350	**350**
Debentures (net of amortization)	1,825	1,968	2,118	3,116	**2,975**
Montreal Trust preferred shares	–	–	–	–	**100**
Less: Investments in associated corporations	(123)	(149)	(138)	(157)	**(180)**
Tier 2 capital	2,052	2,169	2,330	3,309	**3,245**
Total capital	$ 5,529	$ 6,241	$ 6,927	$ 8,749	**$ 9,205**
Total risk-adjusted assets ($ billions)	$ 75.3	$ 73.5	$ 80.7	$ 84.3	**$ 95.8**

The Bank's capital for regulatory reporting increased by $456 million or 5.2% over the year to $9.2 billion as shown in Table 30. This increase reflected primarily an increase in common shareholders' equity of $536 million, offset by the redemption of US$200 million of 10.15% subordinated debentures in December of 1993. The purchase of Montreal Trust added a further $100 million in both preferred shares and subordinated debentures to the Bank's consolidated capital for regulatory reporting.

As mentioned earlier, preferred shares were temporarily lower by $200 million at October 31, 1994, reflecting the redemption of Series 3 preferred shares prior to their replacement by Series 7 preferred shares issued on November 29, 1994.

Capital for regulatory reporting purposes differs somewhat from that recorded on the balance sheet due to the requirement to deduct goodwill, investments in associated corporations and the amortization of subordinated debt in the calculation. In addition, the Bank is able to incorporate debentures issued by subsidiaries but included in other liabilities in the Consolidated Financial Statements of the Bank.

Table 31

Risk-adjusted assets
($ billions)
As at October 31

Conversion factor	Weighting factor		1993 Gross	1993 Risk-adjusted	1994 Gross	1994 Risk-adjusted
On-balance sheet						
–	0%	Cash and claims on Canada, provinces, and OECD governments	$ 26.2	$ –	$ 36.4	$ –
–	20%	Claims on banks and municipalities	9.0	1.8	13.0	2.6
–	50%	Residential mortgages(1)	12.8	6.4	17.1	8.5
–	100%	All other assets	58.5	58.5	66.4	66.4
Total on-balance sheet			106.5	66.7	132.9	77.5
Off-balance sheet						
		Indirect credit instruments				
0%	–	One year and under credit commitments	28.9	–	35.9	–
20%	0 – 100%	Short-term trade letters of credit	0.6	–	0.8	0.1
50%	0 – 100%	Longer term credit commitments	25.3	11.8	25.2	12.1
50%	0 – 100%	Non-financial guarantees, standby letters of credit, NIFs and RUFs	2.7	1.4	2.8	1.4
100%	0 – 100%	Financial guarantees, standby letters of credit and securities lending	3.4	2.2	6.1	2.3
		Interest rate instruments				
0 – 0.5%	0 – 50%	Futures and forward rate agreements	35.6	–	88.4	–
0 – 0.5%	0 – 50%	Interest rate swaps	126.5	1.2	197.8	0.8
0 – 0.5%	0 – 50%	Interest rate options	29.2	–	47.1	0.1
		Foreign exchange instruments				
1 – 5%	0 – 50%	Futures and foreign exchange contracts	107.3	0.5	133.1	0.9
1 – 5%	0 – 50%	Currency swaps	29.4	0.5	33.8	0.6
1 – 5%	0 – 50%	Currency options	2.4	–	1.9	–
Total off-balance sheet			391.3	17.6	572.9	18.3
Total gross and risk-adjusted assets			$ 497.8	$ 84.3	$ 705.8	$ 95.8

(1) Excludes NHA guaranteed mortgages which are grouped with claims on Canada.

Both on and off-balance sheet assets are segregated into four broad risk categories, as shown in Table 31. Lower risk assets, such as cash, industrialized country debt, and residential mortgages, are given lower risk weightings than claims on individuals and corporations. This ranking served to reduce the on-balance sheet assets of the Bank at October 31, 1994, from $132.9 billion to a risk-adjusted level of $77.5 billion.

During the year, the Bank's on-balance sheet assets grew by $26.4 billion, or 24.8% to $132.9 billion. Risk-adjusted on-balance sheet assets, on the other hand, grew by only $10.8 billion or 16.2%, reflecting a more than proportionate increase in lower risk-weighted assets.

As mentioned, the OSFI capital adequacy guidelines also attempt to capture the credit risk associated with products and business that are not

reflected on the Bank's balance sheet (off-balance sheet products) but which do have a potential to incur future credit exposures. These include financial and performance guarantees, standby letters of credit, irrevocable commitments to extend credit, and other similar products which may require the Bank to financially support a customer in the future. They also include all interest rate and foreign exchange derivative products where the Bank is open to potential counterparty risk driven by market fluctuations.

In general, the risk associated with these off-balance sheet products is considered to be quite low compared to on-balance sheet assets. To arrive at a risk-adjusted value, they are first subjected to a conversion factor to make them equivalent to an on-balance sheet asset, and then appropriate weighting factors are applied to the result. The only exception to this rule is for irrevocable financial guarantees and letters of credit which are considered to be loan equivalents, and are accordingly converted at 100%.

As Table 31 indicates, the risk-adjusted amounts for interest and foreign exchange instruments are relatively small when compared with the notional amounts. This highlights the fact that the notional amounts on these instruments do not reflect actual dollar exposure but rather the base upon which interest and exchange rate contract settlements are calculated. During 1994, gross off-balance sheet exposure rose by $181.6 billion or 46.4%, with a corresponding risk-adjusted rise of $0.7 billion or 3.8%.

Total risk-adjusted assets at year end were $95.8 billion, an increase of $11.5 billion or 13.6% from the end of 1993.

Recent developments in capital regulation

The current capital adequacy rules were initiated in 1988 by the Basle Committee on Banking Supervision, meeting under the auspices of the Bank for International Settlements and representing the bank regulatory authorities of the major industrialized countries. These internationally agreed rules were designed to encourage an increase in the overall level of bank capitalization and to recognize the impact of credit risk in capital management.

The BIS is continuing work on draft guidelines issued last year on the measurement of the risks associated with interest rate gaps, exchange rate positions, and market risk as it pertains to assets that are regularly traded. The impact of the new guidelines on Scotiabank's capital ratios should be relatively minor.

OSFI has stated that reporting on interest rate gaps is intended to highlight banks that are carrying unusually large gaps, but that no capital is expected to be allocated at this time. The proposals concerning market risk will require banks to maintain capital in respect of open trading positions in debt and equity securities, as well as against derivatives positions and open foreign exchange positions. The impact of these proposed limits will be minimal, as they will be offset in part by a reduction in the amount of capital required for current credit risk associated with trading books, and by a relaxation of capital adequacy rules related to the netting of contracts.

The goal of bank regulators in issuing these proposals is to ensure the adequacy of risk management in banks, rather than to bring about a widespread increase in bank capital levels.

Table 32

Domestic and international components of net income(1)

(taxable equivalent basis)
($ millions)

For the financial years	1990	1991	1992	1993	1994
Domestic					
Net interest income	$ 1,456	$ 1,995	$ 2,101	$ 2,020	$ 2,140
Provision for credit losses	(78)	(170)	(247)	(334)	(367)
Other income	571	599	660	840	1,050
Net interest and other income	1,949	2,424	2,514	2,526	2,823
Non-interest expenses	(1,377)	(1,529)	(1,637)	(1,798)	(2,079)
Restructuring costs	–	–	–	–	(175)
Goodwill write-off	–	–	–	–	(162)
Net income before the undernoted:	572	895	877	728	407
Provision for income taxes and non-controlling interest	(258)	(403)	(410)	(341)	(278)
Net income	$ 314	$ 492	$ 467	$ 387	$ 129
International					
Net interest income	$ 563	$ 563	$ 724	$ 907	$ 1,018
Provision for credit losses	(160)	(204)	(202)	(131)	(200)
Other income	259	283	341	329	414
Net interest and other income	662	642	863	1,105	1,232
Non-interest expenses	(397)	(466)	(536)	(565)	(617)
Net income before the undernoted:	265	176	327	540	615
Provision for income taxes and non-controlling interest	(67)	(35)	(118)	(213)	(262)
Net income	$ 198	$ 141	$ 209	$ 327	$ 353
Total					
Net interest income	$ 2,019	$ 2,558	$ 2,825	$ 2,927	$ 3,158
Provision for credit losses	(238)	(374)	(449)	(465)	(567)
Other income	830	882	1,001	1,169	1,464
Net interest and other income	2,611	3,066	3,377	3,631	4,055
Non-interest expenses	(1,774)	(1,995)	(2,173)	(2,363)	(2,696)
Restructuring costs	–	–	–	–	(175)
Goodwill write-off	–	–	–	–	(162)
Net income before the undernoted:	837	1,071	1,204	1,268	1,022
Provision for income taxes and non-controlling interest	(325)	(438)	(528)	(554)	(540)
Net income	$ 512	$ 633	$ 676	$ 714	$ 482

(1) Income from tax-exempt securities has been expressed on an equivalent before-tax basis. The provision for income taxes has been adjusted by a corresponding amount: 1994 – Domestic $47, International $7; 1993 – Domestic $46, International $5; 1992 – Domestic $41, International $1; 1991 – Domestic $40, International $nil; 1990 – Domestic $46, International $1.

Table 33

Components of net income as a percentage of average total assets

(taxable equivalent basis)
(%)

For the financial years	1990	1991	1992	1993	**1994**
Domestic					
Net interest income	2.85%	3.73%	3.74%	3.36%	**2.93%**
Provision for credit losses	(0.15)	(0.32)	(0.44)	(0.56)	**(0.50)**
Other income	1.12	1.12	1.18	1.40	**1.43**
Net interest and other income	3.82	4.53	4.48	4.20	**3.86**
Non-interest expenses	(2.70)	(2.86)	(2.92)	(2.99)	**(2.84)**
Restructuring costs	–	–	–	–	**(0.24)**
Goodwill write-off	–	–	–	–	**(0.22)**
Net income before the undernoted:	1.12	1.67	1.56	1.21	**0.56**
Provision for income taxes and non-controlling interest	(0.51)	(0.75)	(0.73)	(0.57)	**(0.38)**
Net income	0.61%	0.92%	0.83%	0.64%	**0.18%**
International					
Net interest income	1.73%	1.62%	1.92%	2.23%	**2.14%**
Provision for credit losses	(0.49)	(0.59)	(0.54)	(0.32)	**(0.42)**
Other income	0.80	0.82	0.90	0.80	**0.87**
Net interest and other income	2.04	1.85	2.28	2.71	**2.59**
Non-interest expenses	(1.22)	(1.34)	(1.42)	(1.39)	**(1.30)**
Net income before the undernoted:	0.82	0.51	0.86	1.32	**1.29**
Provision for income taxes and non-controlling interest	(0.21)	(0.10)	(0.31)	(0.52)	**(0.55)**
Net income	0.61%	0.41%	0.55%	0.80%	**0.74%**
Total					
Net interest income	2.41%	2.90%	3.01%	2.90%	**2.62%**
Provision for credit losses	(0.28)	(0.42)	(0.48)	(0.46)	**(0.47)**
Other income	0.99	1.00	1.07	1.16	**1.21**
Net interest and other income	3.12	3.48	3.60	3.60	**3.36**
Non-interest expenses	(2.12)	(2.26)	(2.32)	(2.34)	**(2.23)**
Restructuring costs	–	–	–	–	**(0.15)**
Goodwill write-off	–	–	–	–	**(0.13)**
Net income before the undernoted:	1.00	1.22	1.28	1.26	**0.85**
Provision for income taxes and non-controlling interest	(0.39)	(0.50)	(0.56)	(0.55)	**(0.45)**
Net income	0.61%	0.72%	0.72%	0.71%	**0.40%**

Quarterly information

Quarterly components of net income as a percentage of average total assets(1)
(taxable equivalent basis)

For the three months ended	1993 January	1993 April	1993 July	1993 October	1994 January	1994 April	1994 July	1994 October
Domestic								
Net interest income	3.31%	3.42%	3.39%	3.33%	3.14%	2.97%	2.76%	2.88%
Provision for credit losses	(0.45)	(0.52)	(0.87)	(0.38)	(0.42)	(0.88)	(0.54)	(0.22)
Other income	1.22	1.44	1.47	1.46	1.54	1.72	1.31	1.25
Net interest and other income	4.08	4.34	3.99	4.41	4.26	3.81	3.53	3.91
Non-interest expenses	(2.84)	(3.13)	(3.04)	(2.97)	(3.03)	(3.08)	(2.74)	(2.60)
Restructuring costs	–	–	–	–	–	(1.06)	–	–
Goodwill write-off	–	–	–	–	–	(0.97)	–	–
Provision for income taxes and non-controlling interest	(0.61)	(0.56)	(0.45)	(0.64)	(0.59)	0.07	(0.36)	(0.60)
Net income (loss)	0.63%	0.65%	0.50%	0.80%	0.64%	(1.23)%	0.43%	0.71%
Average total assets ($ billions)	$ 58.8	$ 59.1	$ 60.3	$ 62.1	$ 64.0	$ 68.1	$ 79.1	$ 81.4
International								
Net interest income	2.29%	2.28%	2.12%	2.22%	2.48%	2.04%	2.23%	1.87%
Provision for credit losses	(0.48)	(0.44)	0.15	(0.52)	(0.56)	(0.37)	(0.14)	(0.62)
Other income	0.61	0.97	0.86	0.82	0.85	0.86	0.94	0.83
Net interest and other income	2.42	2.81	3.13	2.52	2.77	2.53	3.03	2.08
Non-interest expenses	(1.31)	(1.46)	(1.35)	(1.44)	(1.32)	(1.26)	(1.35)	(1.27)
Provision for income taxes and non-controlling interest	(0.42)	(0.51)	(0.73)	(0.44)	(0.61)	(0.52)	(0.75)	(0.34)
Net income	0.69%	0.84%	1.05%	0.64%	0.84%	0.75%	0.93%	0.47%
Average total assets ($ billions)	$ 41.0	$ 38.4	$ 40.6	$ 42.8	$ 44.5	$ 47.0	$ 48.3	$ 49.8
Total								
Net interest income	2.89%	2.97%	2.88%	2.87%	2.87%	2.59%	2.56%	2.50%
Provision for credit losses	(0.46)	(0.49)	(0.46)	(0.44)	(0.47)	(0.67)	(0.39)	(0.38)
Other income	0.97	1.25	1.23	1.20	1.25	1.37	1.17	1.09
Net interest and other income	3.40	3.73	3.65	3.63	3.65	3.29	3.34	3.21
Non-interest expenses	(2.21)	(2.47)	(2.36)	(2.34)	(2.33)	(2.34)	(2.21)	(2.09)
Restructuring costs	–	–	–	–	–	(0.62)	–	–
Goodwill write-off	–	–	–	–	–	(0.58)	–	–
Provision for income taxes and non-controlling interest	(0.53)	(0.54)	(0.57)	(0.56)	(0.60)	(0.17)	(0.51)	(0.50)
Net income (loss)	0.66%	0.72%	0.72%	0.73%	0.72%	(0.42)%	0.62%	0.62%
Average total assets ($ billions)	$ 99.8	$ 97.5	$ 100.9	$ 104.9	$ 108.5	$ 115.1	$ 127.4	$ 131.2
Taxable equivalent adjustment ($ millions)	$ 11.7	$ 12.7	$ 13.7	$ 12.8	$ 13.2	$ 13.2	$ 14.1	$ 13.9

(1) Income from tax-exempt securities has been expressed on an equivalent before-tax basis. The provision for income taxes has been adjusted by a corresponding amount.

Quarterly financial information
($ millions, except per share data)

For the three months ended	1993 January	1993 April	1993 July	1993 October	1994 January	1994 April	1994 July	1994 October
Total interest income	$ 1,894	$ 1,723	$ 1,755	$ 1,777	$ 1,774	$ 1,695	$ 2,168	$ 2,275
Total interest expense	1,178	1,029	1,037	1,029	1,004	981	1,360	1,463
Net interest income	716	694	718	748	770	714	808	812
Provision for credit losses	116	117	116	116	129	189	125	124
Other income	243	298	312	316	343	384	376	361
Net interest and other income	843	875	914	948	984	909	1,059	1,049
Non-interest expenses	556	587	601	619	636	656	711	693
Restructuring costs	–	–	–	–	–	175	–	–
Goodwill write-off	–	–	–	–	–	162	–	–
Income (loss) before the undernoted:	287	288	313	329	348	(84)	348	356
Provision for income taxes	119	113	127	131	146	26	142	141
Non-controlling interest	3	3	3	4	5	8	8	10
Net income (loss)	165	172	183	194	197	(118)	198	205
Preferred dividends paid	20	24	24	24	24	24	24	25
Net income (loss) available to common shareholders	$ 145	$ 148	$ 159	$ 170	$ 173	$ (142)	$ 174	$ 180
Common dividends paid	$ 58	$ 58	$ 58	$ 59	$ 61	$ 62	$ 65	$ 65
Average number of common shares outstanding (millions)	206.3	207.7	209.0	210.2	211.4	214.7	223.7	225.0
Per common share:								
Net income	$ 0.70	$ 0.71	$ 0.77	$ 0.80	$ 0.82	$ (0.67)	$ 0.80	$ 0.81
Dividends	0.28	0.28	0.28	0.28	0.29	0.29	0.29	0.29
Common share price:								
– High	24.75	25.75	27.00	29.50	33.25	32.75	28.25	27.50
– Low	21.88	22.25	23.25	26.38	28.00	26.50	23.13	24.75
– Close	22.38	25.50	26.88	29.00	32.50	26.75	24.88	27.50

Other quarterly information
($ billions)

As at	1993 January	1993 April	1993 July	1993 October	1994 January	1994 April	1994 July	1994 October
Total assets	$ 97.3	$ 98.8	$ 104.3	$ 106.5	$ 109.3	$ 125.6	$ 130.9	$ 132.9
Total loans	$ 69.7	$ 69.6	$ 71.2	$ 72.2	$ 73.3	$ 84.5	$ 87.2	$ 86.8
Total deposits	$ 76.4	$ 76.3	$ 76.8	$ 77.7	$ 80.0	$ 94.6	$ 98.0	$ 99.8
Preferred shares	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.1
Common shareholders' equity	4.2	4.3	4.4	4.6	4.7	4.9	5.0	5.2
Total equity	5.5	5.6	5.7	5.9	6.0	6.2	6.3	6.3
Subordinated debentures	2.1	2.5	2.8	3.2	2.9	3.0	3.0	3.0
Total capital funds	$ 7.6	$ 8.1	$ 8.5	$ 9.1	$ 8.9	$ 9.2	$ 9.3	$ 9.3
Qualifying capital:								
Tier 1	$ 5.0	$ 5.1	$ 5.3	$ 5.4	$ 5.6	$ 5.9	$ 6.0	$ 6.0
Tier 2	2.3	2.7	3.0	3.3	3.0	3.3	3.4	3.2
Total qualifying capital	$ 7.3	$ 7.8	$ 8.3	$ 8.7	$ 8.6	$ 9.2	$ 9.4	$ 9.2
Risk-adjusted assets:								
On-balance sheet items	$ 65.8	$ 65.2	$ 66.0	$ 66.7	$ 66.7	$ 75.5	$ 77.1	$ 77.5
Off-balance sheet items	15.7	16.4	17.4	17.6	17.6	19.0	18.9	18.3
Total risk-adjusted assets	$ 81.5	$ 81.6	$ 83.4	$ 84.3	$ 84.3	$ 94.5	$ 96.0	$ 95.8
Capital ratios (%):								
Tier 1	6.17%	6.31%	6.33%	6.45%	6.63%	6.23%	6.30%	6.22%
Tier 2	2.84	3.26	3.59	3.93	3.61	3.53	3.49	3.39
Total capital ratio	9.01%	9.57%	9.92%	10.38%	10.24%	9.76%	9.79%	9.61%
Number of common shares outstanding (millions)	207.6	208.9	210.1	211.3	212.3	223.6	224.9	226.3
Book value ($)	$ 20.24	$ 20.68	$ 21.18	$ 21.79	$ 22.37	$ 21.82	$ 22.34	$ 22.72
Return on common shareholders' equity (%)	13.9%	14.2%	14.4%	14.9%	14.7%	(12.1)%	13.9%	14.0%

Allowance for credit losses
An allowance set aside from income to absorb anticipated credit losses. It is decreased by write-offs and by realized losses and increased by new provisions (provision for credit losses) and recoveries. The allowance for credit losses is deducted from the related asset category on the balance sheet.

Average earning assets
The average daily balance of loans, securities and deposits with other banks.

Average non-earning assets
The average month-end balance of cash, deposits with the Bank of Canada, land, buildings, equipment and other non-interest earning assets.

Assets under administration
Assets administered by the Bank and its subsidiaries which are beneficially owned by customers and are therefore not reported on the consolidated balance sheet. Services provided in respect of these assets are administrative in nature, such as security custody, trusteeship, stock transfer, and personal trust services. Assets under administration may also be managed by the Bank or its subsidiaries.

Assets under management
Assets managed by the Bank and its subsidiaries which are beneficially owned by customers and are therefore not reported on the consolidated balance sheet. Services provided in respect of these assets include selecting investments and providing investment advice to customers. Assets under management may also be administered by the Bank or its subsidiaries.

Bankers' acceptance (acceptance)
A type of negotiable, short-term debt security generally issued by a non-financial entity and guaranteed, for a fee, by the issuer's bank.

Basis point
A unit of measure defined as a one-hundredth of one percent.

Capital
Capital funds support asset growth, provide against loan losses and protect the Bank's depositors. Capital consists of common shareholders' investment and retained earnings, preferred shareholders' equity and subordinated debentures.

Country risk provision
Funds set aside by the Bank to cover potential losses on loans to a group of developing countries designated by the Superintendent of Financial Institutions Canada which have had trouble servicing their debts to commercial banks. These provisions are deducted from income in the year they are set aside and added to the Bank's total *allowance for credit losses.*

Duration
Duration represents the weighted average term to maturity of a security considering the ultimate maturity, periodic cash flows and the yield.

Earnings per share
Net income available to common shareholders divided by the daily average number of common shares outstanding for the period.

Foreign currency translation gain/loss
The unrealized gain or loss that is recorded when assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the balance sheet date when the exchange rates at that date differ from the corresponding rates at the previous balance sheet date.

Foreign exchange contracts
Commitments to buy or sell a specified amount of foreign currency on a set date and at a predetermined rate of exchange.

Forward rate agreement
A contract between two parties whereby a designated interest rate, applied to a *notional principal amount,* is locked in for a specified period of time. The difference between the contracted rate and prevailing market rate is paid in cash on the settlement date. These agreements are used to protect against, or to take advantage of, future interest rate movements.

Guarantees and letters of credit
Assurances given by the Bank that it will make payments on behalf of customers to third parties in the event that the customers default. The Bank normally has recourse against its customers for funds advanced under such arrangements.

Hedging
Protecting against adverse price, interest rate or foreign exchange movements by eliminating or reducing exposures by taking positions which are expected to react to market conditions in an opposite manner.

Interest rate and cross currency swaps
Interest rate swaps are agreements to exchange streams of interest payments, typically one at a floating rate, the other at a fixed rate, over a specified period of time based on *notional principal amounts.* Cross currency swaps are agreements to exchange payments in different currencies over predetermined periods of time.

Interest rate and currency futures
Commitments to buy or sell designated amounts of securities or currencies on a specified date at a predetermined price. Interest rate and currency futures are traded on recognized exchanges. Gains and losses on these contracts are settled on a daily basis based on closing market prices.

Interest rate and currency options
Contracts between buyer and seller giving the buyer of the option the right, but not the obligation, to buy (call) or sell (put) a specified financial instrument or currency at a set price or rate on or before a specified future date.

Interest rate gap
An interest rate gap arises when there is a difference in the volumes of rate-sensitive assets and liabilities maturing within a specified time interval. The size of the difference, or gap, is a rough indicator of the degree to which the Bank's earnings may be affected by interest rate fluctuations.

Leverage ratio
The amount of assets supported by each dollar of regulatory capital.

Marked-to-market
The valuation of securities and off-balance sheet instruments, such as interest and exchange rate contracts, at market prices, as of the balance sheet date. The difference between the market value and book value of these instruments is recorded as a gain or loss to income.

Net interest margin
Net interest income, on a *taxable equivalent basis,* expressed as a percentage of average total assets.

Non-performing loans
These comprise non-accrual loans and renegotiated reduced rate loans. Non-accrual loans are those on which interest payments are recorded as income only after prior write-offs and specific provisions have been recovered. Loans are classified non-accrual when there is reasonable doubt as to the ultimate collectibility of principal or interest, or in most cases when payments are past due by more than 90 days and in any event if payments are overdue by more than 180 days. Gross non-performing loans refers to their amount before any deduction of provisions against credit losses.

Notional principal amounts
The contract or principal amounts used in determining payments for certain off-balance sheet instruments such as *interest rate and cross currency swaps.* The amounts are termed "notional" because they are not usually exchanged themselves and serve only as the basis for calculating other amounts that do change hands.

Other past due loans
These are loans where payment of principal or interest is contractually past due by at least 90 days but which have not yet been included in non-accrual loans as they are well secured and in the process of collection.

Productivity ratio
This measure of the efficiency with which expenses are incurred to generate revenue is non-interest expenses as a percentage of the sum of net interest income, on a *taxable equivalent basis,* and other income.

Regulatory (or BIS) capital ratios
These are ratios of capital to *risk-adjusted assets* as stipulated by the Superintendent of Financial Institutions Canada based on guidelines developed by the Bank for International Settlements (BIS). The relevant definition of regulatory capital consists of Tier 1 and Tier 2. Tier 1 capital is essentially common shareholders' equity plus non-cumulative preferred shares, less any unamortized goodwill. Tier 2 capital comprises cumulative preferred shares and subordinated debentures less any investments in associated companies.

Repos
Repos is the short form for "purchase agreement for securities sold under an agreement to repurchase" — a short-term transaction whereby the Bank sells securities to a customer and it simultaneously agrees to repurchase the securities on a specified date and at a specified price. It is a form of short-term funding.

Return on assets
Net income expressed as a percentage of average total assets. This is a key measure of how efficiently the Bank employs its resources.

Return on equity
Net income available to common shareholders, expressed as a percentage of average common shareholders' equity. This is a key measure of the Bank's success in employing common shareholders' funds.

Reverse repos
Reverse repos is the short form for "resale agreement for securities purchased under an agreement to resell" — a short-term transaction whereby the Bank purchases securities from a customer and it simultaneously agrees to resell the securities on a specified date and at a specified price. It is a form of short-term collateralized lending.

Risk-adjusted assets
Risk-adjusted assets are calculated by applying risk-weighting factors to the face amount of certain assets to bring the assets to a comparable risk level. Off-balance sheet instruments are also converted to balance sheet (credit) equivalents and then adjusted by the appropriate risk-weighting. The risk-adjusted total forms the denominator of the various *regulatory (or BIS) capital ratios.*

Taxable equivalent basis (TEB)
The grossing up of tax-exempt income earned on certain securities to an equivalent before-tax basis. This procedure allows a uniform measurement and comparison of net interest income that arises from both taxable and tax-exempt sources.

Report of Management

The management of The Bank of Nova Scotia is responsible for the integrity and objectivity of the financial information presented in this Annual Report. The consolidated financial statements have been prepared in accordance with the financial reporting requirements of the Bank Act and instructions issued by the Superintendent of Financial Institutions Canada which comply in all material respects with generally accepted accounting principles. The financial statements reflect amounts which must of necessity be based on the best estimates and judgment of management with appropriate consideration as to materiality. Financial information presented elsewhere in this Annual Report is consistent with that shown in the accompanying consolidated financial statements.

Management has always recognized the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements fairly presenting the financial condition of the Bank. In this regard, it has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The system is augmented by written policies and procedures which include the careful selection and training of qualified staff, the establishment of organizational structures providing an appropriate and well-defined division of responsibilities, and the communication of policies and guidelines of business conduct throughout the Bank.

The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic audits of all aspects of the Bank's operations. As well, the Bank's Chief Inspector has full and free access to the Audit Committee.

The Superintendent of Financial Institutions Canada, at least once a year, examines and enquires into the business and affairs of the Bank, as he may deem necessary, to satisfy himself that the provisions of the Bank Act, having reference to the safety of the interests of depositors, creditors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

The Audit Committee of the Board of Directors, composed entirely of outside Directors, reviews the financial statements with both the management and the independent auditors before such statements are approved by the Board of Directors and submitted to the shareholders of the Bank.

The Conduct Review Committee of the Board of Directors, composed entirely of outside Directors, reviews and reports its findings to the Board of Directors on all related party transactions having a material impact on the Bank.

KPMG Peat Marwick Thorne and Price Waterhouse, the independent auditors appointed by the shareholders of the Bank, have examined the consolidated financial statements of the Bank in accordance with generally accepted auditing standards and have expressed their opinion upon completion of such examination in the following report to the shareholders. The auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and findings as to the integrity of the Bank's accounting and financial reporting and the adequacy of the system of internal controls.

P.C. Godsoe Deputy Chairman of the Board, President and Chief Executive Officer	B.R. Birmingham Vice-Chairman of the Board	R.W. Chisholm Senior Executive Vice-President and Chief Financial Officer

Toronto, November 30, 1994

Auditors' Report

To the Shareholders of The Bank of Nova Scotia

We have audited the Consolidated Balance Sheets of The Bank of Nova Scotia as at October 31, 1994 and 1993, and the Consolidated Statements of Income, Changes in Shareholders' Equity and Changes in Financial Position for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 1994 and 1993, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

KPMG Peat Marwick Thorne

Price Waterhouse

Chartered Accountants
Toronto, November 30, 1994

Consolidated Balance Sheet

As at October 31 ($ millions)	1994	1993
Assets		
Cash resources		
Cash and deposits with Bank of Canada	$ 1,220	$ 1,119
Deposits with other banks	10,168	7,515
	11,388	8,634
Securities *(Note 2)*		
Issued or guaranteed by:		
Canada	9,117	5,684
Provinces and municipalities	2,074	1,315
Other securities	14,375	10,839
	25,566	17,838
Loans *(Note 3)*		
Residential mortgages	26,767	18,600
Personal and credit card	13,372	11,599
Business and governments	46,640	42,005
	86,779	72,204
Other		
Customers' liability under acceptances	4,796	3,921
Land, buildings and equipment *(Note 5)*	1,200	1,099
Other assets *(Note 6)*	3,199	2,814
	9,195	7,834
	$ 132,928	$ 106,510
Liabilities and Shareholders' Equity		
Deposits *(Note 7)*		
Personal	$ 42,431	$ 31,288
Business and governments	35,660	30,009
Banks	21,664	16,451
	99,755	77,748
Other		
Cheques and other items in transit, net	365	450
Acceptances	4,796	3,921
Other liabilities *(Note 8)*	18,580	15,275
Non-controlling interest in subsidiaries	175	56
	23,916	19,702
Subordinated debentures *(Note 9)*	3,016	3,156
Shareholders' equity		
Capital stock *(Note 10)*		
Preferred shares	1,100	1,300
Common shares	1,839	1,429
Retained earnings	3,302	3,175
	6,241	5,904
	$ 132,928	$ 106,510

C.E. Ritchie
Chairman of the Board and
Chairman of the Executive Committee

P.C. Godsoe
Deputy Chairman of the Board,
President and Chief Executive Officer

Consolidated Statement of Income

For the financial year ended October 31 ($ millions)	1994	1993
Interest income		
Loans	$ 6,090	$ 5,382
Securities	1,431	1,454
Deposits with banks	391	313
	7,912	7,149
Interest expense		
Deposits	4,149	3,706
Subordinated debentures	172	133
Other	487	434
	4,808	4,273
Net interest income	3,104	2,876
Provision for credit losses *(Note 4)*	567	465
Net interest income after provision for credit losses	2,537	2,411
Other income		
Service charges	357	308
Credit fees	264	214
Investment banking	377	338
Foreign exchange and precious metals	150	136
Other	316	173
	1,464	1,169
Net interest and other income	4,001	3,580
Non-interest expenses		
Salaries	1,401	1,255
Pension contributions and other staff benefits	182	144
Premises and equipment expenses, including depreciation	533	481
Other	580	483
Restructuring costs *(Note 17)*	175	–
Write off of goodwill *(Note 11)*	162	–
	3,033	2,363
Income before the undernoted:	968	1,217
Provision for income taxes *(Note 12)*	455	490
Non-controlling interest in net income of subsidiaries	31	13
Net income for the year	$ 482	$ 714
Preferred dividends paid	$ 97	$ 92
Net income available to common shareholders	$ 385	$ 622
Average number of common shares outstanding (000's)	218,713	208,282
Net income per common share	$ 1.76	$ 2.98
Dividends per common share	$ 1.16	$ 1.12

Consolidated Statement of Changes in Shareholders' Equity

For the financial year ended October 31 ($ millions)	1994	1993
Preferred shares *(Note 10)*		
Balance at beginning of year	$ 1,300	$ 1,000
Proceeds of shares issued during the year	–	300
Redemption of shares during the year	(200)	–
Balance at end of year	$ 1,100	$ 1,300
Common shares *(Note 10)*		
Balance at beginning of year	$ 1,429	$ 1,308
Shares issued to acquire Montreal Trustco Inc. *(Note 17)*	280	–
Shareholder dividend and share purchase plan	130	121
Balance at end of year	$ 1,839	$ 1,429
Retained earnings		
Balance at beginning of year	$ 3,175	$ 2,771
Net income for the year	482	714
Dividends: Preferred	(97)	(92)
Common	(253)	(233)
Net unrealized foreign exchange gains and losses	9	20
Net costs of share issue and redemption	(14)	(5)
Balance at end of year	$ 3,302	$ 3,175

Consolidated Statement of Changes in Financial Position

For the financial year ended October 31 ($ millions)	1994	1993
Operating activities		
Net income for the year	$ 482	$ 714
Adjustments to determine net cash provided by (used in) operating activities:		
Depreciation and amortization	121	112
Provision for credit losses	567	465
Write off of goodwill	162	–
Deferred income taxes	100	(124)
Change in accrued interest receivable	(332)	115
Change in accrued interest payable	540	(111)
Other changes, net	(158)	48
Cash provided by operating activities	1,482	1,219
Financing activities		
Increase in deposits	22,007	1,121
Increase in other financing	2,890	4,023
Subordinated debentures:		
Proceeds from issues	–	1,210
Redemption of issues	(264)	(282)
Foreign exchange adjustments(1)	124	100
Capital stock:		
Proceeds from issue of preferred shares	–	300
Redemption of preferred shares	(200)	–
Proceeds from common shares:		
Issued to acquire Montreal Trustco Inc.(3)	280	–
Issued under Shareholder Dividend and Share Purchase Plan	130	121
Dividends paid	(350)	(325)
Other changes, net	(234)	571
Cash provided by financing activities	24,383	6,839
Total cash available for investing activities	25,865	8,058
Investing activities		
Increase in:		
Deposits with other banks	2,474	741
Investment securities	6,147	1,358
Trading securities	1,529	2,133
Loans	15,142	4,618
Land, buildings and equipment, net of disposals	208	102
Cash used in investing activities	25,500	8,952
Increase (decrease) in cash and cash equivalents	365	(894)
Cash and cash equivalents, beginning of year	1,481	2,375
Cash and cash equivalents, end of year	$ 1,846	$ 1,481
Represented by:		
Cash resources per Consolidated Balance Sheet(2)	$ 11,023	$ 8,184
Deposits with other banks: non-operating	(9,177)	(6,703)
Cash and cash equivalents, end of year	$ 1,846	$ 1,481

(1) Offset by a comparable adjustment in foreign currency assets.
(2) Includes a liability of $365 (1993 – $450) reported in Cheques and other items in transit.
(3) Utilization of the proceeds raised in the issuance of common shares to acquire Montreal Trustco Inc. are reflected in the individual assets and liabilities.

1. Significant accounting policies

The consolidated financial statements of The Bank of Nova Scotia have been prepared in accordance with the Bank Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (the Superintendent), the financial statements are to be prepared in accordance with generally accepted accounting principles. The significant accounting policies used in the preparation of these consolidated financial statements, including the accounting requirements of the Superintendent, are summarized on the following pages. These accounting policies conform, in all material respects, to generally accepted accounting principles.

Certain comparative amounts have been reclassified to conform with current year presentation.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries and effectively controlled associated corporations after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations controlled by the Bank which are normally corporations in which the Bank owns more than 50% of the voting shares.

Investments in associated corporations, where the Bank has significant influence which is normally evidenced by direct or indirect ownership of between 20% and 50% of the voting shares, are carried on the equity basis of accounting and are included in Other Securities in the Consolidated Balance Sheet. The Bank's share of earnings of such corporations is included in income from Securities in the Consolidated Statement of Income.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the end of the financial year with the exception of land, buildings and equipment, which are recorded at historical Canadian dollar cost. All revenues and expenses denominated in foreign currencies are translated using average exchange rates except for depreciation, which is based on the historical Canadian dollar cost of the related assets.

Unrealized translation gains and losses which arise upon consolidation of net foreign currency investment positions in branches, subsidiaries and associated corporations, net of applicable income taxes, together with any gains or losses arising from hedges of those net investment positions, are credited or charged to Retained Earnings, except as noted below. Upon sale or substantial liquidation of an investment position, the previously recorded unrealized gains or losses thereon are transferred from Retained Earnings to the Consolidated Statement of Income.

Translation gains and losses arising from self-sustaining subsidiaries and branches operating in highly inflationary environments, if any, are included in Other Income.

Securities

Securities are held in either the trading or investment portfolios.

Trading securities are intended to be held for a short period of time and are carried at market value. Gains and losses on disposal and adjustments to market value are included in income from Securities.

Investment securities comprise debt and equity securities held for liquidity and longer term investment. Equity securities in which the Bank's holdings of voting shares are less than 20% are carried at cost, except where significant influence is demonstrated. Debt securities held in the investment account are carried at amortized cost with premiums and discounts being amortized to income over the period to maturity. These debt and equity securities are reduced by the amount of permanent impairment in their value, if any, and such reduction, together with gains and losses on disposals are included in income from Securities.

Included in the investment portfolio are bonds received from the conversion of loans to less developed countries which are recorded at their face value net of country risk provisions.

Loans

Loans are stated net of any unearned income and of an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than non-accrual loans and the accrued interest is reported in Other Assets in the Consolidated Balance Sheet.

A loan is classified as non-accrual when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. A loan is also classified as non-accrual when interest or principal is contractually past due 90 days, unless the loan is both well secured and in the process of collection. Non-accrual loans may revert to performing status when all payments become fully current and management has determined there is no reasonable doubt of ultimate collectibility of principal or interest.

When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs and specific provisions for losses have been recovered, and provided there is no further doubt as to the collectibility of principal.

A sovereign risk loan is classified as non-accrual when interest is 180 days in arrears or classified earlier, when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest.

For those sovereign risk loans to which country risk provisions apply, interest continues to be accrued in income, except when the loans are classified as non-accrual. Interest received on non-accrual sovereign risk loans is only recorded as income on a cash received basis.

Loan fees are recognized in income over the appropriate lending or commitment period.

Allowance for credit losses

The Bank maintains an allowance for credit losses which consists of specific provisions, provisions for doubtful credits and country risk provisions.

Specific provisions are established as a result of reviews of individual loans, except in the case of VISA loans where a formula based on historical loss patterns is applied to outstanding balances. There is a second category of provisions — designated "Provisions for doubtful credits" — which are allocated against sectors rather than specifically against individual loans. These provisions are established in respect to particular industries, geographic regions or other groupings of credits where a prudent assessment by the Bank of adverse economic trends suggests that losses may occur in the sector but where such losses cannot yet be identified on an item-by-item basis. The Bank also establishes country risk provisions in accordance with instructions issued by the Superintendent based on total transborder exposure to a prescribed group of less developed countries.

The Bank maintains an allowance which is considered adequate by management to absorb all credit-related losses in its portfolio of both on and off-balance sheet items, including deposits with other banks, loan substitute securities, loans, acceptances and other credit-related contingent liabilities, such as letters of credit and guarantees.

The allowance for credit losses is deducted from the related asset category while provisions against acceptances and off-balance sheet items are included in Other Liabilities.

Acceptances

The Bank's potential liability under acceptances is reported as a liability in the Consolidated Balance Sheet. The Bank has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

Land, buildings and equipment

Land is carried at cost. Buildings, equipment and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets.

Net gains and losses on disposal are recorded in Other Income in the year of disposal.

Goodwill

Goodwill, representing the cost of investments in subsidiaries in excess of fair value of the net identifiable assets acquired, is amortized over the estimated periods to be benefitted. Goodwill is amortized over periods not exceeding 20 years. The value of goodwill is regularly evaluated by reviewing the returns of the related business, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings.

Income taxes

The Bank follows the tax allocation basis of accounting for income taxes, whereby income tax provisions or recoveries are recorded in the years the income and expense are recognized for accounting purposes regardless of when related taxes are actually paid or recovered.

These provisions or recoveries include the income taxes applicable to income included in the Consolidated Statement of Income and amounts charged or credited directly to Retained Earnings. Deferred income taxes, accumulated as a result of timing differences, are reported in Other Assets or Other Liabilities as applicable.

Foreign exchange and precious metals trading

Foreign exchange and precious metals trading positions arising from spot, forward, futures and options contracts are revalued at prevailing market rates (marked-to-market). The resultant gains and losses, net of related hedging premiums and discounts, are reported in Other Income in the Consolidated Statement of Income.

The precious metals inventory is carried at market value and is included in Cash Resources. The liability arising from outstanding certificates is also carried at market value and reported as Other Liabilities.

Derivative products
As part of its capital market and funding activities, the Bank buys and sells certain interest rate and foreign currency derivative products to generate trading income as well as to hedge its risks associated with interest rate and foreign currency exposures.

The significant products are:

a) Financial futures and forward rate agreements;
b) Interest rate and cross currency swaps; and
c) Interest rate options.

The trading portfolios of the above products are marked-to-market and the resultant gains and losses are included in Other Income. An element of revenue estimated to be sufficient to provide for future risks and costs associated with swaps and interest rate options is deferred and amortized on a straight-line basis over the life of the contracts.

Income and expense arising from hedging transactions are recognized as interest in the Consolidated Statement of Income over the life of the hedged item.

Pension
Assets of the pension funds are valued using a valuation method that spreads all realized and unrealized capital gains and losses over a five-year period. An actuarial valuation is performed each year to determine the present value of the accrued pension obligations based on management's best estimates of various assumptions, such as projected employee compensation levels and rates of return on investments. Annual changes in net pension assets or obligations arising from experience gains or losses, changes in assumptions, plan amendments and the net asset position at the date the policy was implemented are amortized on a straight-line basis over the expected average remaining service life of the employee groups covered by the plan.

The Bank also provides post-retirement benefits for employees which include health care and life insurance benefits. The cost of these benefits is recorded in Pension contributions and other staff benefits as incurred.

2. Securities

	Years to maturity					1994		1993
As at October 31 ($ millions)	Within 1 year	One to 3 years	Three to 5 years	Five to 10 years	Over 10 years	Carrying Value	Estimated Market Value	Carrying Value
Investment securities								
Canadian government debt(1)	4,147	575	1,272	743	56	$ 6,793	$ 6,610	$ 3,441
Foreign government debt(2)	246	2,033	1,113	418	810	4,620	4,423	2,364
Bonds of less developed countries(3)	–	–	–	–	1,039	1,039	1,093	793
Other debt	936	338	951	132	30	2,387	2,410	2,376
Equity(4)					2,075	2,075	2,096	1,763
Associated corporations(4)					179	179	179	157
Total investment securities	5,329	2,946	3,336	1,293	4,189	17,093	16,811	10,894
Trading securities, at market value								
Canadian government debt(1)						4,398	4,398	3,558
Foreign government debt						2,358	2,358	2,233
Other						1,717	1,717	1,153
Total trading securities						8,473	8,473	6,944
Total securities						$ 25,566	$ 25,284	$ 17,838(5)

(1) This debt is comprised of securities issued or guaranteed by Canadian federal, provincial, or municipal governments.
(2) This amount includes Brady Bonds of Mexico and Uruguay of $761.1 (1993 – $780.8).
(3) This represents restructured bonds of less developed countries after deducting a Country Risk Provision of $1,013.4 (1993 – $325.4).
(4) These securities have no stated term and have been classified under the "Over 10 years" column.
(5) Total estimated market value at October 31, 1993 is $18,194.

3. Loans

The Bank's loans net of unearned income and the allowance for credit losses in respect of loans are as follows:

As at October 31 ($ millions)	1994	1993
Canada:		
Residential mortgages	$ 26,367	$ 18,199
Personal and credit card	12,264	10,676
Business and governments	21,061	16,925
	59,692	45,800
International	29,328	29,285
	89,020	75,085
Less allowance for credit losses	2,241	2,881
Total(1)	$ 86,779	$ 72,204

(1) Total loans include amount of $4,304 (1993 – $4,606) arising from reverse repurchase agreements.

4. Allowance for credit losses

An analysis of the Bank's allowance for credit losses is as follows:

As at October 31 ($ millions)	General country risk provision(1)	Specific provisions(2)	Provision for doubtful credits	1994	1993
Balance, beginning of year	$ 1,624	$ 1,252	$ 350	$ 3,226	$ 2,962
Assumed from Montreal Trustco Inc.	–	274	–	274	–
Write-offs	(244)	(697)	–	(941)	(405)
Recoveries	–	57	–	57	36
Provision for credit losses(3)	–	592	(25)	567	465
Foreign currency adjustment(4)	44	52	–	96	168
Balance, end of year	$ 1,424	$ 1,530	$ 325	$ 3,279	$ 3,226

(1) Includes $1,013.4 (1993 – $325.4) which has been deducted from Securities. Of the $1,013.4, $802.5 (1993 – $310.8) relates to the restructured collateralized bonds of countries belonging to the designated group of less developed countries. The balance of $210.9 (1993 – $14.6) relates to non-collateralized bonds of less developed countries.
(2) Includes $25.0 (1993 – $20.0) which has been deducted from loan substitutes in Securities.
(3) Amounts are after reversing provisions no longer required of $148.9 (1993 – $123.8).
(4) This adjustment represents the effect of hedging the provision for credit losses of foreign currency denominated loans.

5. Land, buildings and equipment

As at October 31 ($ millions)	Cost	Accumulated depreciation & amortization	Net book value 1994	Net book value 1993
Land	$ 168	$ –	$ 168	$ 163
Buildings	619	154	465	464
Equipment	980	592	388	327
Leasehold improvements	324	145	179	145
Total	$ 2,091	$ 891	$ 1,200	$ 1,099

Depreciation and amortization in respect of the above buildings, equipment and leasehold improvements for the year amounted to $121 (1993 – $112).

6. Other assets

As at October 31 ($ millions)	1994	1993
Accrued interest	$ 992	$ 660
Accounts receivable	509	519
Goodwill, net of amortization	5	170
Deferred income taxes(1)	435	334
Other	1,258	1,131
Total	$ 3,199	$ 2,814

(1) The year-over-year increase results from the net effect of deferred income taxes acquired from Montreal Trustco Inc. and the Bank's current year deferred tax provision as shown in Note 12.

7. Deposits

As at October 31 ($ millions)	Payable on demand	Payable after notice	Payable on a fixed date	1994	1993
Deposits:					
Canada:					
Personal	$ 1,165	$ 12,229	$ 25,074	$ 38,468	$ 27,749
Business and governments	3,088	3,305	10,786	17,179	13,743
Banks	34	–	1,146	1,180	875
	4,287	15,534	37,006	56,827	42,367
International	1,171	3,378	38,379	42,928	35,381
Total	$ 5,458	$ 18,912	$ 75,385	$ 99,755	$ 77,748

8. Other liabilities

As at October 31 ($ millions)	1994	1993
Accrued interest	$ 1,490	$ 950
Accounts payable and accrued expenses	488	357
Deferred income	181	160
Liabilities of subsidiaries, other than deposits	1,672	1,810
Other	1,239	1,378
	5,070	4,655
Obligations related to assets sold under repurchase agreements	5,798	4,926
Obligations related to borrowed securities	5,989	4,191
Gold and silver certificates	1,723	1,503
	13,510	10,620
Total	$ 18,580	$ 15,275

9. Subordinated debentures

($ millions)

These debentures are direct, unsecured obligations of the Bank and are subordinate to the claims of the Bank's depositors and other creditors. In the case of foreign currency issues, the Bank, where appropriate, enters into interest rate and cross currency swaps to hedge the related risks.

The outstanding debentures as at October 31 are:

Maturity date	Interest Rate	Terms(1)	1994	1993
October, 1998	7 7/20%	¥10,000 with interest payable in Australian dollars	$ 140	$ 122
November, 1998	4 7/8%	SFr 150	162	133
December, 1998	10 3/20%	US $200 redeemed on December 15, 1993	–	264
October, 1999	9%	US $200	271	264
October, 2000	Floating	£100 bearing interest at a floating rate of 1/10 of 1% over the offered rate for 3-month Eurosterling deposits; redeemable in whole or in part on any interest payment date	221	195
March, 2001	11 2/5%		100	100
March, 2001	10 3/4%		150	150
July, 2001	10 7/20%	Redeemable in whole or in part on or after July 19, 1994	200	200
March, 2003	8 1/10%		300	300
May, 2003	6 7/8%	US $250	338	330
March, 2004	7 2/5%	¥10,000 with interest payable in Australian dollars redeemable in whole, but not in part, on March 29, 1999	140	122
September, 2008	6 1/4%	US $250	338	330
September, 2013	8 3/10%	Redeemable in whole or in part on or after September 27, 1998	250	250
August, 2085	Floating	US $300 bearing interest at a floating rate of 1/8 of 1% over the offered rate for 6-month Eurodollar deposits; redeemable in whole or in part on any interest payment date	406	396
Total			$ 3,016	$ 3,156

The aggregate maturities of the debentures, assuming holders redeem at the earliest possible dates under the terms of issue, are as follows:

From 3 to 5 years	$ 573
From 5 to 10 years	1,449
Over 10 years	994
	$ 3,016

(1) In accordance with the provisions of the Capital Adequacy Guideline of the Superintendent, all redemptions are subject to regulatory approval.

10. Capital stock

($ millions)

Authorized:

Preferred Shares: An unlimited number of shares without nominal or par value, the aggregate consideration of which shall not exceed $4 billion.

Common Shares: An unlimited number of shares without nominal or par value, the aggregate consideration of which shall not exceed $5 billion.

Issued and fully paid:	1994		1993	
	Number of shares	Amount	Number of shares	Amount
Series 1 Preferred Shares:				
Outstanding at beginning and end of year(1)	14,000,000	$ 350	14,000,000	$ 350
Series 3 Preferred Shares:				
Outstanding at beginning and end of year(2)	–	$ –	10,800,000	$ 200
Series 4 Preferred Shares:				
Outstanding at beginning and end of year(3)	8,000,000	$ 200	8,000,000	$ 200
Series 5 Preferred Shares:				
Outstanding at beginning and end of year(4)	10,000,000	$ 250	10,000,000	$ 250
Series 6 Preferred Shares:				
Outstanding at beginning and end of year(5)	12,000,000	$ 300	12,000,000	$ 300
Common Shares:				
Outstanding at beginning of year	211,272,120	$ 1,429	206,187,240	$ 1,308
Issued to acquire Montreal Trustco Inc. *(Note 17)*	10,000,000	280	–	–
Issued under Shareholder Dividend and Share Purchase Plan(6)	4,986,655	130	5,084,880	121
Outstanding at end of year(7)(8)	226,258,775	$ 1,839	211,272,120	$ 1,429
Total outstanding capital stock		$ 2,939		$ 2,729

(1) Series 1 Preferred Shares pay a quarterly cumulative preferential dividend on their stated value of $25 per share equal to one-quarter of 70% of the daily average Prime Rate of the Bank during the preceding calendar quarter. With regulatory approval, the shares may be redeemed by the Bank on or after July 15, 1991.

(2) Series 3 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share equal to the greater of (i) $0.439375 and (ii) the cash dividend for the same quarter, if any, declared and paid on each common share of the Bank. With regulatory approval, the shares were redeemed by the Bank at a price of $19.795 per share plus accrued and unpaid dividends. The cash required to redeem these shares was deposited with a trustee on October 28, 1994, in accordance with the rights, privileges, restrictions and conditions attaching to these shares.

(3) Series 4 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share equal to the greater of (i) $0.5625 and (ii) 116% of the regular dividend, if any, declared on each common share for the same quarter. With regulatory approval, the shares may be redeemed by the Bank on or after December 21, 1994, in whole or in part by either the payment in cash or the issuance of common shares.

(4) Series 5 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share equal to the greater of (i) $0.578125 and (ii) 116% of the regular dividend for the same quarter, if any, declared on each common share of the Bank. With regulatory approval, the shares may be redeemed by the Bank on or after October 29, 1997, in whole or in part by either the payment in cash or the issuance of common shares. On and after March 25, 1998, each Preferred Share Series 5 will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(5) Series 6 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.446875. With regulatory approval, the shares may be redeemed by the Bank on or after October 29, 2002, in whole or in part, by either the payment in cash or the issuance of common shares. On and after April 28, 2003, each Preferred Share Series 6 will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(6) As at October 31, 1994, common shares totalling 9,819,133 have been reserved for future issue under terms of the Shareholder Dividend and Share Purchase Plan.

(7) During 1994, the Bank established a Stock Option Plan for selected employees. Under the Plan, options to purchase common shares may be granted at an exercise price not less than the closing price of the common shares on the Toronto Stock Exchange on the last trade date prior to the date of the grant. The options are exercisable no later than 10 years after the date of the grant.

The maximum number of common shares to be issued over the life of the Stock Option Plan (1994) is 12,000,000. Options to purchase 1,695,000 common shares at $26.50 per share were outstanding at October 31, 1994. No options were exercised during 1994.

(8) On November 29, 1994, the Bank issued 8,000,000 Series 7 Non-cumulative Preferred Shares for $200 million. These shares are entitled to non-cumulative preferential cash dividends, with the initial dividend of $0.28692 per share and, thereafter, quarterly dividends in an amount of $0.44375 per share. With regulatory approval, the shares may be redeemed by the Bank on or after July 29, 2002, in whole or in part, at declining premiums, by either the payment in cash or the issuance of common shares. On and after January 27, 2005, each Preferred Share Series 7 will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

11. Write off of Goodwill

During the year, the Bank determined that unamortized goodwill of $162 million arising from the 1988 acquisition of ScotiaMcLeod Corporation was permanently impaired. This determination was made following a review of the Bank's returns from its investment. As a result, the total unamortized goodwill of $162 million was written off in the Consolidated Statement of Income.

12. Income taxes

The total income taxes for the year are reported in the financial statements as follows ($ millions):

	1994	1993
Consolidated statement of income	$ 455	$ 490
Retained earnings:		
Income taxes related to:		
Unrealized foreign exchange gains and losses	(26)	(57)
Costs of share issue	–	(3)
Total provision for income taxes	$ 429	$ 430
Comprised of:		
Current income taxes	$ 329	$ 554
Deferred income taxes	100	(124)
Total provision for income taxes	$ 429	$ 430

The provision for income taxes reported in the Consolidated Statement of Income differs from the amount which would be computed using the prevailing Canadian statutory tax rate applied to earnings before tax because certain sources of income are tax-exempt or are subject to reduced tax whereas certain expenses are either non-deductible or only partially deductible for tax purposes.

	1994	1993
The combined federal and provincial income tax rate of	42.6%	43.2%
has been (decreased) increased by the impact of:		
income from subsidiaries, associates and foreign branches;	(5.6)	(2.9)
tax-exempt income from securities, including income debentures and term preferred shares;	(3.1)	(2.5)
goodwill write off not deductible for tax purposes; and	7.2	–
other, net	5.9	2.5
for an effective taxation rate of	47.0%	40.3%

13. Pensions

The Bank operates several pension plans on behalf of its employees. The most recent actuarial valuation was prepared as of November 1, 1993.

Total pension fund assets as at October 31, 1994, were $1,442 million (1993 – $1,211 million). The present value of accrued pension benefits attributed to service rendered to October 31, 1994, was approximately $1,277 million (1993 – $1,017 million).

14. Related party transactions

In the ordinary course of business, the Bank provides to its associated corporations normal banking services on terms similar to those offered to non-related parties.

15. Segmented results of operations

	Domestic		International		Total	
($ millions)	**1994**	1993	**1994**	1993	**1994**	1993
Net interest income	**$ 2,093**	$ 1,974	**$ 1,011**	$ 902	**$ 3,104**	$ 2,876
Provision for credit losses	**(367)**	(334)	**(200)**	(131)	**(567)**	(465)
Other income	**1,050**	840	**414**	329	**1,464**	1,169
Non-interest expenses	**(2,416)**	(1,798)	**(617)**	(565)	**(3,033)**	(2,363)
Provision for income taxes and non-controlling interest in subsidiaries	**(231)**	(295)	**(255)**	(208)	**(486)**	(503)
Net income for the year	**$ 129**	$ 387	**$ 353**	$ 327	**$ 482**	$ 714
Average total assets	**$ 73,148**	$ 60,103	**$ 47,471**	$ 40,733	**$ 120,619**	$ 100,836

16. Commitments and contingent liabilities

a) Off-balance sheet instruments

In the normal course of business, various commitments and contracts are outstanding which are not reflected in the financial statements. These include commitments to extend credit, to purchase and sell securities and currencies, derivatives such as currency and interest rate futures, and interest rate and foreign currency swaps. The Bank transacts these off-balance sheet instruments to meet the financing needs of its customers, to meet its own funding requirements, to generate fee and trading income and to manage its exposures to interest rate and foreign currency fluctuations. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures.

The table below provides a detailed breakdown of the Bank's various off-balance sheet instruments expressed in terms of the contractual or notional amount of the related commitment or contract. Losses, if any, resulting from these transactions are not expected to be material.

($ millions)	**1994**	1993
Indirect credit commitments		
(contractual amounts)		
Guarantees and standby letters of credit	**$ 6,207**	$ 5,455
Documentary and commercial letters of credit	**821**	578
Commitments to extend credit:		
Original term to maturity of one year or less	**35,915**	28,912
Original term to maturity of more than one year	**25,207**	25,270
Securities lending	**2,656**	723
Interest rate and foreign exchange instruments		
(notional amounts)(1)		
Interest rate futures and forward rate agreements	**88,406**	35,643
Interest rate swaps	**197,769**	126,530
Interest rate options purchased	**23,164**	14,564
Interest rate options sold	**24,007**	14,564
Currency futures and foreign exchange contracts	**133,049**	107,311
Currency swaps	**33,798**	29,428
Currency options	**1,946**	2,341
Total off-balance sheet instruments	**$ 572,945**	$ 391,319

(1) Notional principal amounts represent the contract or principal amounts used in determining payments for certain off-balance sheet instruments such as interest rate and currency swaps. The amounts are termed "notional" because they are not usually exchanged themselves and serve only as the basis for calculating other amounts that do change hands.

b) Lease commitments
Minimum future rental commitments at October 31, 1994, for buildings and equipment under long-term, non-cancellable leases are shown below.

For the year ($ millions):

1995	$ 142
1996	121
1997	101
1998	88
1999	67
2000 and thereafter	397
Total	$ 916

Building rent expense, net of rental income from subleases, included in the Consolidated Statement of Income for the year ended October 31, 1994, was $111 million (1993 – $97 million).

c) Litigation
There are a number of actions and legal proceedings pending against the Bank and its subsidiaries which arise from usual business activities. Many of these proceedings are in relation to steps taken by the Bank to collect delinquent loans and enforce rights in collateral securing such loans. Management of the Bank believes that the resolution of these actions and proceedings would not be material to the financial position of the Bank.

17. Acquisition of Montreal Trustco Inc.

On April 11, 1994, the Bank acquired all of the common shares of Montreal Trustco Inc. The total consideration amounted to $280 million and comprised 10 million common shares of the Bank valued at the closing price on the Toronto Stock Exchange on April 8, 1994. Through this purchase, the Bank has acquired a number of business lines including pension and investment management, stock transfer, trusteeships, security custody and personal trust services.

The Consolidated Statement of Income includes $175 million of restructuring costs. No goodwill resulted from the acquisition.

The acquisition, which was accounted for using the purchase method, is summarized in the table below.

As at April 11, 1994 ($ millions)

Assets acquired:		
Cash and securities	$ 1,736	
Loans	8,615	
Other	368	$ 10,719
Less liabilities assumed:		
Deposits	9,436	
Debentures and subordinated notes	770	
Other	133	10,339
Less Preferred shares not acquired		100
Total purchase consideration		$ 280

Subsidiaries[1]

Name	Principal office address	Carrying value of shares owned by the Bank and its subsidiaries[2] ($ thousands)	Percentage of issued and outstanding voting shares owned by the Bank and its subsidiaries
BNS International (Hong Kong) Limited	Hong Kong	$ 6,561	100%
The Bank of Nova Scotia Asia Limited	Singapore	$ 491,386	100
The Bank of Nova Scotia Berhad	Kuala Lumpur, Malaysia	$ 1,907	100
The Bank of Nova Scotia Channel Islands Limited[3]	Jersey, Channel Islands	$ 33,076	100
The Bank of Nova Scotia Trust Company Channel Islands Limited			
The Bank of Nova Scotia International Limited[3]	Nassau, Bahamas	$ 1,517,109	100
BNS International (Barbados) Limited	Warrens, Barbados		
Scotiabank (Ireland) Limited	Dublin, Ireland		
Scotia Insurance (Barbados) Limited	Warrens, Barbados		
Scotia Realty Bahamas Limited	Nassau, Bahamas		
The Bank of Nova Scotia Jamaica Limited[3]	Kingston, Jamaica	$ 79,084	70
Scotiabank Jamaica Building Society			
Scotiabank Jamaica Trust & Merchant Bank Limited			
Scotia Jamaica Insurance Agency Limited			
The West India Company of Merchant Bankers Limited			
The Bank of Nova Scotia Properties Inc.[3]	Toronto, Ontario	$ 1	100
Kings Place II Limited			
The Bank of Nova Scotia Trust Company	Toronto, Ontario	$ 10,515	100
The Bank of Nova Scotia Trust Company (Bahamas) Limited[3]	Nassau, Bahamas	$ 18,052	100
The Bank of Nova Scotia Trust Company (Cayman) Limited	Grand Cayman, Cayman Islands		
Scotiatrust (Asia) Limited	Hong Kong		
The Bank of Nova Scotia Trust Company (Caribbean) Limited	Bridgetown, Barbados	$ 441	100
The Bank of Nova Scotia Trust Company of New York	New York, U.S.A.	$ 2,293	99
Boracay Limited	Hong Kong	$ 2,318	100
Kings Place Operations Ltd.	Fredericton, New Brunswick	$ 82	53
Market Square Leaseholds Ltd.	Saint John, New Brunswick	$ 1	100

(1) Excludes inactive subsidiaries.
(2) Investments held in foreign currencies have been translated to Canadian dollars using October 31, 1994, closing rates of exchange.
(3) The parent company holds 100% of issued and outstanding voting shares, unless otherwise indicated.
(4) Associated corporation effectively controlled by the Bank.
(5) The company name represents the name which is currently being applied for by the Bank. The existing name for Scotia Insurance Holdings Inc. is 3052761 Canada Inc. and Scotia Life Insurance Company is Glacier National Life Assurance Company.

Name	Principal office address	Carrying value of shares owned by the Bank and its subsidiaries[2] ($ thousands)	Percentage of issued and outstanding voting shares owned by the Bank and its subsidiaries
Montreal Trustco Inc.[3] Montbados Insurance Company Montreal Trust Company Montreal Trust Company of Canada Montrusco Associates Inc. (51%) Montrusco (Cayman) Inc. RoyNat Inc. RoyNat Management Inc.	Montreal, Quebec Bridgetown, Barbados Montreal, Quebec Grand Cayman, Cayman Islands Montreal, Quebec	$ 9,047,481	100%
Nova Scotia Inversiones Limitada	Santiago, Chile	$ 1	100
ScotiaMcLeod Corporation[3] ScotiaMcLeod Holdings Inc. ScotiaMcLeod Inc. ScotiaMcLeod Capital Markets Inc. ScotiaMcLeod Financial Services Inc. ScotiaMcLeod (Hong Kong) Inc. ScotiaMcLeod (USA) Inc. Structured MBS Incorporated	Toronto, Ontario Hong Kong New York, U.S.A. Toronto, Ontario	$ 162,521	100
Scotia Insurance Holdings Inc.[3][5] Scotia Life Insurance Company[5]	Toronto, Ontario	$ 12,468	100
Scotia Investment Management Ltd.	Toronto, Ontario	$ 1,279	100
Scotia Mortgage Corporation	Scarborough, Ontario	$ 256,829	100
Scotia Properties Quebec Inc.	Toronto, Ontario	$ 1	100
Scotia Realty Limited	Toronto, Ontario	$ 33,745	100
Scotia Realty Antilles N.V.	St. Maarten, Netherlands Antilles	$ 2,456	100
Scotia Realty Cayman Limited	Grand Cayman, Cayman Islands	$ 5,374	100
Scotia Securities Inc.[3] Scotia Discount Brokerage Inc.	Toronto, Ontario	$ 32,864	100
Scotiabank (Coatbridge Centre) Ltd.	Edinburgh, Scotland	$ 1	100
Scotiabank de Puerto Rico	Hato Rey, Puerto Rico	$ 129,679	99
Scotiabank (U.K.) Ltd.	London, England	$ 66,033	100
Spring Garden Development Corporation	Halifax, Nova Scotia	$ 10	50
Tour Scotia Ltée	Montreal, Quebec	$ 56	50

Major Associated Corporations

Banco Sud Americano	Santiago, Chile	$ 25,538	30%
The Bank of Nova Scotia Trinidad & Tobago Limited[4]	Port of Spain, Trinidad	$ 29,441	47
Grupo Financiero Inverlat, S.A.	Mexico City, Mexico	$ 101,906	5
Maduro & Curiel's Bank N.V.	Curaçao, Netherlands Antilles	$ 46,169	49
Solidbank Corporation	Manila, Philippines	$ 56,050	40

Consolidated Balance Sheet(1)

As at October 31 ($ millions)	1994	1993	1992
Assets			
Cash resources			
Cash and deposits with Bank of Canada	$ 1,220	$ 1,119	$ 1,078
Deposits with other banks	10,168	7,515	6,692
Cheques and other items in transit, net	–	–	567
	11,388	8,634	8,337
Securities			
Issued or guaranteed by:			
Canada	9,117	5,684	4,429
Provinces and municipalities	2,074	1,315	1,339
Other securities	14,375	10,839	8,460
	25,566	17,838	14,228
Loans			
Residential mortgages	26,767	18,600	16,703
Personal and credit card	13,372	11,599	11,113
Business and governments	46,640	42,005	40,236
	86,779	72,204	68,052
Other			
Customers' liability under acceptances	4,796	3,921	3,726
Land, buildings and equipment	1,200	1,099	1,110
Other assets	3,199	2,814	1,924
	9,195	7,834	6,760
	$ 132,928	$ 106,510	$ 97,377
Liabilities and Shareholders' Equity			
Deposits			
Personal	$ 42,431	$ 31,288	$ 29,058
Business and governments	35,660	30,009	30,902
Banks	21,664	16,451	16,667
	99,755	77,748	76,627
Other			
Cheques and other items in transit, net	365	450	–
Acceptances	4,796	3,921	3,726
Other liabilities	18,580	15,275	9,766
Non-controlling interest in subsidiaries	175	56	51
	23,916	19,702	13,543
Subordinated debentures	3,016	3,156	2,128
Shareholders' equity			
Capital stock			
Preferred shares	1,100	1,300	1,000
Common shares	1,839	1,429	1,308
Retained earnings	3,302	3,175	2,771
	6,241	5,904	5,079
	$ 132,928	$ 106,510	$ 97,377

(1) Certain comparative amounts have been reclassified to conform with current year presentation.

1991	1990	1989	1988	1987	1986	1985
$ 1,008	$ 1,033	$ 1,117	$ 816	$ 1,073	$ 1,126	$ 1,116
5,766	6,759	7,054	7,224	10,280	8,996	9,528
248	52	579	154	–	–	–
7,022	7,844	8,750	8,194	11,353	10,122	10,644
3,327	2,449	2,691	2,824	2,275	2,398	1,732
1,040	578	301	531	231	148	75
6,174	5,158	4,447	3,883	3,695	3,310	2,566
10,541	8,185	7,439	7,238	6,201	5,856	4,373
14,596	12,787	10,808	9,079	7,679	6,306	5,205
11,601	11,864	11,102	10,456	9,331	7,993	6,914
35,934	35,171	32,080	31,280	31,069	28,918	29,505
62,131	59,822	53,990	50,815	48,079	43,217	41,624
5,380	7,695	7,831	5,653	3,553	3,142	2,713
1,043	999	853	787	670	612	583
2,038	2,263	1,971	1,988	1,574	1,064	1,132
8,461	10,957	10,655	8,428	5,797	4,818	4,428
$ 88,155	$ 86,808	$ 80,834	$ 74,675	$ 71,430	$ 64,013	$ 61,069
$ 27,539	$ 25,530	$ 23,097	$ 20,366	$ 18,512	$ 17,788	$ 16,730
25,000	25,501	26,117	25,840	25,710	22,908	20,213
15,294	14,248	12,180	12,869	17,080	13,259	15,751
67,833	65,279	61,394	59,075	61,302	53,955	52,694
–	–	–	–	8	62	46
5,380	7,695	7,831	5,653	3,553	3,142	2,713
8,410	8,108	6,488	5,562	2,824	2,720	2,216
17	19	17	15	14	12	9
13,807	15,822	14,336	11,230	6,399	5,936	4,984
1,979	1,832	1,758	1,293	1,007	1,159	889
1,000	750	550	350	350	350	350
1,201	1,106	1,016	954	720	677	489
2,335	2,019	1,780	1,773	1,652	1,936	1,663
4,536	3,875	3,346	3,077	2,722	2,963	2,502
$ 88,155	$ 86,808	$ 80,834	$ 74,675	$ 71,430	$ 64,013	$ 61,069

Consolidated Statement of Income[1]

For the financial year ended October 31 ($ millions)	1994	1993	1992
Interest income			
Loans	$ 6,090	$ 5,382	$ 5,729
Securities	1,431	1,454	1,396
Deposits with banks	391	313	357
	7,912	7,149	7,482
Interest expense			
Deposits	4,149	3,706	4,191
Subordinated debentures	172	133	134
Other	487	434	374
	4,808	4,273	4,699
Net interest income	3,104	2,876	2,783
Provision for credit losses	567	465	449
Net interest income after provision for credit losses	2,537	2,411	2,334
Other income	1,464	1,169	1,001
Net interest and other income	4,001	3,580	3,335
Non-interest expenses			
Salaries	1,401	1,255	1,153
Pension contributions and other staff benefits	182	144	117
Premises and equipment expenses, including depreciation	533	481	461
Other	580	483	442
Restructuring costs	175	–	–
Write off of goodwill	162	–	–
	3,033	2,363	2,173
Income before the undernoted:	968	1,217	1,162
Provision for income taxes	455	490	475
Non-controlling interest in net income of subsidiaries	31	13	11
Net income before special provision	482	714	676
Special provision for losses on transborder claims, net of taxes	–	–	–
Net income (loss) for the year	$ 482	$ 714	$ 676
Preferred dividends paid	$ 97	$ 92	$ 79
Net income (loss) available to common shareholders	$ 385	$ 622	$ 597
Average number of common shares outstanding (000's)	218,713	208,282	203,083
Net income (loss) per common share[2][3]:			
Basic	$ 1.76	$ 2.98	$ 2.94
Fully diluted	$ 1.76	$ 2.98	$ 2.94
Dividends per common share	$ 1.16	$ 1.12	$ 1.04

(1) Certain comparative amounts have been reclassified to conform with current year presentation.
(2) Basic net income (loss) per common share has been calculated on the daily average of equivalent fully paid common shares outstanding. Fully diluted net income (loss) per common share has been calculated on the assumption that all convertible debentures outstanding during the relevant year were converted into common shares from the beginning of the year at the ratio of approximately 85.11 common shares for each thousand dollars principal amount of debentures.
(3) The 1987 per share results are before the special provision. Both basic and fully diluted loss per share were $1.45 after the special provision in 1987.

1991	1990	1989	1988	1987	1986	1985
$ 6,650	$ 6,836	$ 6,253	$ 5,199	$ 4,356	$ 4,399	$ 4,382
1,299	1,072	959	684	563	501	432
484	616	638	492	610	709	1,003
8,433	8,524	7,850	6,375	5,529	5,609	5,817
5,287	5,936	5,335	4,093	3,654	3,845	4,238
166	180	156	85	84	80	68
462	436	287	149	57	42	35
5,915	6,552	5,778	4,327	3,795	3,967	4,341
2,518	1,972	2,072	2,048	1,734	1,642	1,476
374	238	895	465	183	435	376
2,144	1,734	1,177	1,583	1,551	1,207	1,100
882	830	850	658	540	435	354
3,026	2,564	2,027	2,241	2,091	1,642	1,454
1,075	966	916	786	689	646	595
101	76	63	59	53	45	50
421	364	323	266	233	223	205
398	368	360	292	264	232	213
–	–	–	–	–	–	–
–	–	–	–	–	–	–
1,995	1,774	1,662	1,403	1,239	1,146	1,063
1,031	790	365	838	852	496	391
391	271	135	325	368	174	115
7	7	8	6	5	4	2
633	512	222	507	479	318	274
–	–	–	–	693	–	–
$ 633	$ 512	$ 222	$ 507	$ (214)	$ 318	$ 274
$ 79	$ 69	$ 34	$ 25	$ 23	$ 26	$ 23
$ 554	$ 443	$ 188	$ 482	$ (237)	$ 292	$ 251
197,449	190,198	185,149	175,613	164,051	156,235	146,002
$ 2.81	$ 2.33	$ 1.01	$ 2.74	$ 2.78	$ 1.87	$ 1.72
$ 2.81	$ 2.33	$ 1.01	$ 2.74	$ 2.78	$ 1.83	$ 1.63
$ 1.00	$ 1.00	$ 0.88	$ 0.76	$ 0.72	$ 0.69	$ 0.68

Consolidated Statement of Changes in Shareholders' Equity

For the financial year ended October 31 ($ millions)	1994	1993	1992
Preferred shares			
Balance at beginning of year	$ 1,300	$ 1,000	$ 1,000
Proceeds of shares issued during the year	–	300	–
Redemption of shares during the year	(200)	–	–
Balance at end of year	$ 1,100	$ 1,300	$ 1,000
Common shares			
Balance at beginning of year	$ 1,429	$ 1,308	$ 1,201
Shares issued to acquire Montreal Trustco Inc.	280	–	–
Shares issued to acquire The McLeod Young Weir Corporation	–	–	–
Additions from shareholder plan, debentures converted and rights exercised	130	121	107
Balance at end of year	$ 1,839	$ 1,429	$ 1,308
Retained earnings			
Balance at beginning of year	$ 3,175	$ 2,771	$ 2,335
Net income (loss) for the year	482	714	676
Dividends: Preferred	(97)	(92)	(79)
Common	(253)	(233)	(211)
Income taxes related to appropriations for contingencies	–	–	–
Net unrealized foreign exchange gains and losses	9	20	50
Net costs of debenture conversion, share issues and redemption	(14)	(5)	–
Balance at end of year	$ 3,302	$ 3,175	$ 2,771

	1991	1990	1989	1988	1987	1986	1985
	$ 750	$ 550	$ 350	$ 350	$ 350	$ 350	$ 250
	250	200	200	–	–	–	100
	–	–	–	–	–	–	–
	$ 1,000	$ 750	$ 550	$ 350	$ 350	$ 350	$ 350
	$ 1,106	$ 1,016	$ 954	$ 720	$ 677	$ 489	$ 453
	–	–	–	–	–	–	–
	–	–	–	185	–	–	–
	95	90	62	49	43	188	36
	$ 1,201	$ 1,106	$ 1,016	$ 954	$ 720	$ 677	$ 489
	$ 2,019	$ 1,780	$ 1,773	$ 1,652	$ 1,936	$ 1,663	$ 1,481
	633	512	222	507	(214)	318	274
	(79)	(69)	(34)	(25)	(23)	(26)	(23)
	(197)	(190)	(163)	(133)	(118)	(107)	(99)
	–	–	–	(209)	113	62	26
	(37)	(11)	(15)	(19)	(42)	27	5
	(4)	(3)	(3)	–	–	(1)	(1)
	$ 2,335	$ 2,019	$ 1,780	$ 1,773	$ 1,652	$ 1,936	$ 1,663

Ten-Year Statistical Review
Other Statistics(1)

For the financial year ended October 31	1994	1993	1992	1991
Average total assets ($ millions)	**120,619**	100,836	93,807	88,073
Return on assets (%):				
Total	**.40**	.71	.72	.72
Domestic	**.18**	.64	.83	.92
International	**.74**	.80	.55	.41
Total after preferred dividends	**.32**	.62	.64	.63
Return on common shareholders' equity (%)	**7.9**	14.4	15.7	16.7
Common share price ($)(2):				
High	**33.25**	29.50	24.75	20.00
Low	**23.13**	21.88	19.00	10.50
Close – October 31	**27.50**	29.00	24.00	19.75
Dividends per common share ($)	**1.16**	1.12	1.04	1.00
Common dividend payout (%)(3)	**65.8**	37.5	35.3	35.6
Common dividend yield (%)(4)	**4.1**	4.4	4.8	6.6
Price/earnings ratio(4)	**16.0:1**	8.6:1	7.4:1	5.4:1
As at October 31				
Capital ratios (%):				
Risk-adjusted				
Tier 1	**6.22**	6.45	5.70	5.54
Tier 2	**3.39**	3.93	2.88	2.95
Total	**9.61**	10.38	8.58	8.49
Assets to capital ratio(5)	**15.2:1**	12.9:1	14.8:1	14.9:1
Common shareholders' equity to total assets	**3.87**	4.32	4.19	4.01
Capital funds to total assets	**6.96**	8.51	7.40	7.39
Number of common shares outstanding (000's)	**226,259**	211,272	206,187	201,061
Book value per common share ($):				
Basic	**22.72**	21.79	19.78	17.59
Fully diluted	**22.72**	21.79	19.78	17.59
Number of common shareholder accounts(6)	**24,991**	22,330	23,432	24,509
Number of branches and offices	**1,454**	1,376	1,361	1,329
Number of employees(7)	**33,098**	30,375	30,675	29,616
Number of Cashstop banking machines	**1,381**	1,280	1,190	1,070

(1) Certain comparative amounts have been reclassified to conform with current year presentation.
(2) Based on trading on The Toronto Stock Exchange.
(3) Dividend payments as a percentage of net income available to common shareholders.
(4) Based on the average of high and low common share prices and fully diluted earnings per share.
(5) Based on guidelines issued by the Superintendent of Financial Institutions Canada, the Bank's assets to capital ratio is calculated by dividing adjusted total assets by regulatory capital (Tier 1 and Tier 2).
(6) Represents the number of accounts on the share register and therefore does not reflect the total number of individual shareholders.
(7) Number of employees includes full-time and part-time personnel (part-time stated on a full-time equivalent basis) of the Bank and all its subsidiaries.

1990	1989	1988	1987(*)	1987(**)	1986	1985
83,697	77,974	71,582	67,366	67,366	62,459	59,348
.61	.28	.71	(0.32)	.71	.51	.46
.61	.75	.90	.76	.76	.56	.56
.61	(0.41)	.47	(1.46)	.66	.46	.37
.53	.24	.67	(0.35)	.68	.47	.42
14.9	6.5	18.7	(9.3)	16.2	12.4	12.3
18.13	19.25	16.00	21.63	21.63	16.50	14.75
11.00	13.63	11.50	12.50	12.50	12.25	12.13
11.00	17.25	15.00	12.75	12.75	16.38	13.50
1.00	0.88	0.76	0.72	0.72	0.69	0.68
42.9	87.0	27.5	n/a	25.9	36.6	39.4
6.9	5.4	5.5	4.2	4.2	4.8	5.1
6.3:1	16.3:1	5.0:1	n/a	6.1:1	7.9:1	8.2:1
4.61	4.11	3.88	n/a		n/a	n/a
2.73	2.72	2.09	n/a		n/a	n/a
7.34	6.83	5.97	n/a		n/a	n/a
16.5:1	17.1:1	18.8:1	21.2:1		17.6:1	20.3:1
3.60	3.46	3.65	3.32		4.08	3.52
6.57	6.31	5.85	5.22		6.44	5.55
194,784	187,694	183,625	165,822		163,114	147,643
16.04	14.90	14.85	14.30		16.01	14.57
16.04	14.90	14.85	14.30		16.01	14.35
26,441	26,187	28,421	26,600		26,728	25,808
1,311	1,284	1,248	1,183		1,194	1,192
30,114	29,618	29,113	26,187		26,215	25,753
873	422	304	263		219	188

(*) Including the effect of special provision for losses on transborder claims.
(**) Excluding the effect of special provision for losses on transborder claims.

Notes

Board of Directors

Committees of the Board of Directors

● Executive Committee

■ Audit Committee

◆ Conduct Review Committee

▼ Management Resources and Compensation Committee

✻ Pension Fund Advisory Committee

▲ Committee to Review the Role and Function of the Board

✧ Ad hoc Committee on Corporate Governance

▲●✻ **Cedric E. Ritchie, O.C.**
Toronto
Chairman of the Board and Chairman of the Executive Committee
The Bank of Nova Scotia

✧▲◆■ **Lloyd I. Barber, C.C., LL.D., Ph.D.**
Regina Beach, Saskatchewan
President Emeritus
University of Regina

Malcolm R. Baxter
Saint John, New Brunswick
Chairman, President and Chief Executive Officer
Baxter Foods Limited

✻ **J.A. Gordon Bell**
Toronto
Former Deputy Chairman of the Board and Deputy Chief Executive Officer
The Bank of Nova Scotia

Bruce R. Birmingham
Toronto
Vice-Chairman of the Board
The Bank of Nova Scotia
Chairman of the Board
Montreal Trust

C.J. Chen
Singapore
Managing Partner
Allen & Gledhill

●■✻ **E. Kendall Cork**
Toronto
Managing Director
Sentinel Associates Limited

✧◆●■▼ **Sir Graham Day**
Hantsport, Nova Scotia
Counsel to
Stewart McKelvey Stirling Scales

▲✻● **Peter C. Godsoe**
Toronto
Deputy Chairman of the Board, President and Chief Executive Officer
The Bank of Nova Scotia

◆■ **M. Keith Goodrich**
Toronto
Chairman
Moore Corporation Limited

■● **Pierre J. Jeanniot, O.C.**
Geneva
Director General
International Air Transport Association

■ **Laurent Lemaire**
Kingsey Falls, Quebec
President and Chief Executive Officer
Cascades Inc.

■✻ **Gordon F. MacFarlane, O.B.C., LL.D.**
Vancouver
Corporate Director

●▼ **Gerald J. Maier**
Calgary
Chairman
TransCanada PipeLines Limited

John T. Mayberry
Burlington, Ontario
President and Chief Executive Officer
Dofasco Inc.

✧▲●▼ **H. Harrison McCain, C.C., LL.D.**
Florenceville, New Brunswick
Chairman of the Board
McCain Foods Limited

✻ **Ian McDougall**
New York, N.Y., U.S.A.
Vice Chairman and Chief Financial Officer
Inco Limited

■▼ **David E. Mitchell, O.C.**
Calgary
Chairman
Alberta Energy Company Ltd.

✧◆●■▼ **David Morton**
Montreal
Chairman
Alcan Aluminium Limited

Sir Denis Mountain, Bt.
London, England
Corporate Director

✧◆■ **David A. Nield**
Toronto
President and Chief Executive Officer
The Canada Life Assurance Company

Helen A. Parker
Sidney, British Columbia
Company Director

✻ **Elizabeth Parr-Johnston, Ph.D.**
Halifax
President and Vice-Chancellor
Mount Saint Vincent University

■▼ **Paul J. Phoenix**
Burlington, Ontario
Corporate Director

✧▲●▼ **Robert L. Pierce, Q.C.**
Calgary
Chairman and Chief Executive Officer
Foothills Pipe Lines Ltd.

✻ **David H. Race**
Toronto
Chairman and Chairman of the Executive Committee
CAE Inc.

▼ **Isadore Sharp, O.C.**
Toronto
Chairman, President and Chief Executive Officer
Four Seasons Hotels Inc.

●■ **Allan C. Shaw**
Halifax
Chairman and Chief Executive Officer
The Shaw Group Limited

■ **Jonathan A. Wolfe**
Toronto
President and Chief Operating Officer
The Oshawa Group Limited

Honorary Directors

Honorary Directors neither attend meetings of the Board, nor receive remuneration.

Albert T. Baker
Calgary

David W. Barr
Toronto

E. Jacques Courtois, P.C., Q.C.
Montreal

Kenneth V. Cox, D.Sc., LL.D.
Saint John, New Brunswick

George C. Hitchman
Toronto

John J. Jodrey, D.C.L., D. Eng.
Hantsport, Nova Scotia

The Right Honourable Lord Keith of Castleacre
London, England

Donald Maclaren
Ottawa

Malcolm H.D. McAlpine
London, England

William S. McGregor
Edmonton

Cyrus H. McLean, LL.D.
Vancouver

Thomas G. Rust, C.M., LL.D.
Vancouver

Judson W. Sinclair
Toronto

Marie Wilson, Q.C.
Toronto

Board Committees

Ad hoc Committee on Corporate Governance

Chair: Sir Graham Day
Members: Lloyd I. Barber, H. Harrison McCain, David Morton, David A. Nield, Robert L. Pierce
Ex-officio members: Peter C. Godsoe, Cedric E. Ritchie

The Ad hoc Committee on Corporate Governance has been formed to examine the draft report of The Toronto Stock Exchange Committee on Corporate Governance in Canada and to make recommendations to the Board of Directors with respect to the Bank's system of corporate governance.

Audit Committee

Chair: David Morton
Members: Lloyd I. Barber, E. Kendall Cork, Sir Graham Day, M. Keith Goodrich, Pierre J. Jeanniot, Laurent Lemaire, Gordon F. MacFarlane, David A. Nield, Allan C. Shaw, Jonathan A. Wolfe

The Audit Committee, through meetings with the Shareholders' Auditors, the chief internal auditor and senior management of the Bank, is responsible for (i) reviewing the Bank's annual statement prior to Board approval; (ii) reviewing investments and transactions that could adversely affect the well-being of the Bank; and (iii) ensuring that appropriate internal control procedures are in place.

The Committee is also charged with the responsibility of reviewing the returns, as required, to be submitted to the Office of the Superintendent of Financial Institutions.

The Shareholders' Auditors attend meetings of the Committee. Officers may also attend meetings by invitation.

Committee to Review the Role and Function of the Board

Members: Lloyd I. Barber, Peter C. Godsoe, H. Harrison McCain, Robert L. Pierce, Cedric E. Ritchie

The Committee to Review the Role and Function of the Board, on the instructions of the Chair of the Board, reviews the duties and responsibilities of Directors, the determination of which matters should or should not be brought before the Board, the method in which credits are reported and approved, the frequency of meetings of the Board and any other issues involving the Board of Directors.

The Committee also reviews the terms of reference and structuring of the various Committees of the Board.

The Committee reports to the Board of Directors through the Executive Committee of the Board.

Conduct Review Committee

Chair: David A. Nield
Members: Lloyd I. Barber, Sir Graham Day, M. Keith Goodrich, David Morton, Elizabeth Parr-Johnston, David H. Race

The Conduct Review Committee is responsible for establishing procedures for the identification and review of transactions with related parties of the Bank.

The Committee is also responsible for monitoring procedures relating to conflicts of interest and restricting the use of confidential information. Further, the Committee monitors procedures providing disclosure to customers of information concerning, for example, the cost of borrowing, the manner of calculating such cost and bank charges, and also monitors procedures for dealing with complaints concerning such costs. The Committee must be satisfied that such procedures are being adhered to by the Bank.

The Committee meets at least annually and reports to the Board of Directors after each meeting. The Shareholders' Auditors receive notice of and may attend meetings of the Committee. Officers may also attend by invitation. The Board of Directors reports annually to the Office of the Superintendent of Financial Institutions on the matters reviewed by the Committee during the year.

Executive Committee

Chair: Cedric E. Ritchie
Vice-Chairs: H. Harrison McCain, Paul J. Phoenix
Members: E. Kendall Cork, Sir Graham Day, Peter C. Godsoe, Pierre J. Jeanniot, Gerald J. Maier, David E. Mitchell, David Morton, Robert L. Pierce, Allan C. Shaw

The Executive Committee, through meetings with senior officers of the Bank, recommends the corporate strategy of the Bank to the Board of Directors. In conjunction with the recommendations of the Management Resources and Compensation Committee, the Committee reviews the senior level organization structure of the Bank and evaluates the performance of the Bank's senior executives and other Board-appointed officers. The Committee also examines and reports to the Board on the public issues facing the Bank and, where necessary, recommends policies in respect of these issues.

The Committee is also responsible for recommending to the Board nominees for appointment or re-appointment to the Board.

During intervals between meetings of the Board, and subject to the limitations of the Bank Act, the Committee exercises all of the powers of the Board, except any powers that the Board may have previously expressly withheld from the Committee or delegated exclusively to other Committees.

The Committee generally meets once monthly.

Management Resources and Compensation Committee

Chair: Robert L. Pierce
Members: Sir Graham Day, Gerald J. Maier, H. Harrison McCain, David E. Mitchell, David Morton, Paul J. Phoenix, Isadore Sharp

The Management Resources and Compensation Committee is responsible for reviewing (i) the compensation paid to the Bank's senior executives and other Board-appointed officers; (ii) the constitutions of the Bank's Management Incentive Bonus Plan as well as the Bank's Stock Option Plan; and (iii) the designation of participants and the formulae for calculating bonuses for the Management Incentive Bonus Plan and the Investment and Corporate Banking Division Incentive Plan.

The Committee reviews the Bank's senior level organization structure and staffing and submits recommendations to the Executive Committee of the Board.

The Committee reports to the Board of Directors through the Executive Committee of the Board.

Pension Fund Advisory Committee

Chair: Cedric E. Ritchie
Members: J.A. Gordon Bell, E. Kendall Cork, Peter C. Godsoe, Gordon F. MacFarlane, Ian McDougall

The Pension Fund Advisory Committee monitors the funding and investment policies, objectives, strategies and overall adequacy of the Bank's Pension Fund (the "Fund") and advises the Board with respect to each of these areas.

The Committee also monitors the performance of the Fund within the context of the above policies, objectives and strategies, and advises the Board with respect to the adequacy of performance assessment criteria.

Further, the Committee is responsible for making recommendations to the Board concerning the appointment and/or removal of Trustees of the Fund and, on an annual basis, reviewing the results of periodic actuarial reviews of the Fund.

The Committee reports to the Board of Directors through the Executive Committee of the Board.

Regional Advisory Committees

Regional Advisory Committees have been established in Quebec, Alberta and British Columbia. These Committees act in a consultive rather than decision-making capacity.

These Committees have been established to provide better opportunities for Directors residing in a particular region to participate to a greater extent in the Bank's affairs. The Directors provide advice and counsel to local senior management, including matters relating to the acquisition of new business, regional commercial trends, the types of export/import business that could be generated and the identification of potential business losses and preventative measures.

These Committees also review regional forecasts and results, credits and business development opportunities, and provide advice on the selection of new branch sites.

While the Regional Advisory Committees consist of Directors who reside in the appropriate region, any Director who may be in the vicinity at the time of a meeting may attend the meeting.

Executive Officers

Deputy Chairman of the Board, President and Chief Executive Officer
Peter C. Godsoe

Vice-Chairman of the Board, The Bank of Nova Scotia and Chairman of the Board, Montreal Trust
Bruce R. Birmingham

Senior Executive Vice-President, Finance and Administration, The Bank of Nova Scotia and President and Chief Executive Officer, Montreal Trust
Robert W. Chisholm

Senior Executive Vice-President, Credit
John F.M. Crean

Senior Executive Vice-President, Corporate Banking
Richard E. Waugh

Executive Vice-President, Investment Banking Credit and Credit Policy
S. Dennis N. Belcher

Executive Vice-President, Investment Banking
Robert L. Brooks

Executive Vice-President, Investment Banking, U.K. and Europe
Leslie L. Fox

Executive Vice-President, International Banking
Malcolm C. Johnston

Executive Vice-President, Human Resources
William J. Lomax

Executive Vice-President, Corporate Banking, Eastern U.S.A.
Barry R.F. Luter

Executive Vice-President, Canadian Commercial Credit, The Bank of Nova Scotia and Chief Executive Officer, RoyNat Inc.
Edwin D. MacNevin

Executive Vice-President, Retail
Robert J. Marshall

Executive Vice-President, Finance
Sarabjit S. Marwah

Executive Vice-President, Pacific Region
Kevin S. Rowe

Executive Vice-President, Latin America and Sovereign Risk & Rescheduling
William P. Sutton

Executive Vice-President, Operations
Albert E. Wahbe

Corporate Administration

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Economics

Senior Vice-President and Chief Economist
Warren Jestin

Vice-President and Assistant Chief Economist
Aron Gampel

Vice-President
Patricia M. Mohr

Finance and Administration

Senior Executive Vice-President
Robert W. Chisholm

Executive Vice-President, Finance
Sarabjit S. Marwah

Finance

Senior Vice-President and Chief Accountant
John K. Mitchell

Asst. General Managers
Edmundo Y. Jimenez
Hiram W. Lau

Comptroller
Daniel L. Chui

Vice-Presidents
Linda D. McNeil
William E. Park

Asst. General Managers
Thomas C.W. Ashbourne
Jacques H. Filteau
Gordon E.A. Macrae

Vice-President and Domestic Comptroller
Colleen M. Johnston

Financial Review

Vice-President
Lawrence R. Masterman

Management and Financial Information Systems

Vice-President
Michael W. O'Bee

Asst. General Managers
Anthony L. Daley
Hurbert L. Jackson-Kumaasi

Investor Relations

Vice-President
Kevin Harraher

Asst. General Manager
F.G. Perrin Lewis

Taxation

Senior Vice-President
Reginald W. Kowalchuk

Vice-Presidents
Munir A. Suleman
Richard S. Tucker

Asst. General Managers
John W. MacArthur
Daniel E. Pare

Organization and Development

Vice-President
Marjory R. Buttrum

Asst. General Managers
David W. Johnson
Paul A. Rice
Barbara E. Wellman

Insurance Services

Senior Vice-President
Oscar Zimmerman

Vice-President
William D. Alexander

Asst. General Managers
Janet L. Crawford
Peter I. Noble
David C. Self

Montreal Trust Integration

Senior Vice-President
Timothy P. Hayward

Real Estate

Senior Vice-President
Andrew B. Lennox

Vice-Presidents
John O. Lemyre
David R. Morley
Stephen M. Morson
Jack G. Nixon
George M. Redpath
David J. Wick

Asst. General Managers
Virginia A. Beauchamp
Mark E. Greenfield
Robert N. Martyniuk
Paul S. Riedstra

Executive Offices Administration

Senior Vice-President and Secretary
R. Peter Gerad

Administration

Vice-President
Morley A. Smith

Asst. General Managers
Peter A. McBean
Henry A. Smith

Director
O. Paul Churchill

Chief Security Officer
Walter Kalichuk

Audit

Senior Vice-President and Chief Inspector
Peggy Mulligan

Vice-President and Deputy Chief Inspector
Thomas C. Nicol

Vice-Presidents
A. Walter MacCalman
Pierre W. Wong

Asst. General Managers
Ronald C. Black
William M. Forbes
Marianne B. Hasold-Schilter
Azeem H. Kassam
Fraser L. Macdonald
Robert T. Morris
Maureen I. Richardson
Douglas K. Weber
Paul K. Wing

Loan Audit

Senior Vice-President
Vernon B. Maxwell

Vice-Presidents
David F. Cooper
Douglas S. Rector
John W. Roblin
S. Jane Rowe
Lister M. Smith

Asst. General Manager
Richard D. McLean

General Counsel

Senior Vice-President and General Counsel
George E. Whyte

Associate General Counsel
William J. Mandzia

Senior Legal Counsel, Investment and Corporate Banking
Kenneth E. Thorlakson

Compliance

Vice-President
David A. Smith

Government Relations and Legislation

Asst. General Manager
Donna M. Bovolaneas

Human Resources

Executive Vice-President
William J. Lomax

Senior Vice-Presidents
Sylvia D. Chrominska
James T. Meek

Vice-Presidents
Diane S. Caravan
Shirley P. Fudge
David G. Merrow
B. James Shields

Asst. General Managers and Directors
Paul A. Bandy
Peter G. Caldwell
Susan M. Francis
Lloyd A. Lavalley
Paul E. Owens
George E. Simson
Darcy J. Stevenson

Operations

Executive Vice-President
Albert E. Wahbe

Senior Vice-President, Special Projects
W. Nicholas Serba

Asst. General Manager
Barbara Mendelsohn

Banking Operations

Senior Vice-President
Alan R. Macdonald

Banking Operations, International

Vice-President
Barry F. Dolan

Asst. General Managers
C. Phil L. Broome
Andrew E. Newell
Craig D. Wickett

Centralized Accounting and Administration

Vice-President
Gary W. MacDonald

Asst. General Managers
Gary D. Ewert
Stan J. Forshaw

Domestic Banking Operations

Vice-President
Henry A. Regnitter

Asst. General Managers
Trevor A. Chapman
Penny Knight
G. Russell McLean
Elizabeth A.P. Mounter
Firdos Somji
Judy G. Thomas

Domestic Customer Service Centres

Senior Vice-President
W. Robert Stark

Retail Services

Vice-President
Mary-Anne Chambers

Asst. General Managers
Pierrette T. Barrie
Owen J. Marsh

Corporate/Commercial Services

Vice-President
Brian A. King

Asst. General Manager
Frank She

Data Centre Services

Vice-President
Mary Ellen Trimble

Asst. General Manager
Brian G. Donahue

Operations and Systems Planning, Administration and Control

Senior Vice-President
Donald J. Marcotte

Vice-President
Thomas E. Russell

Asst. General Managers
John V. Matthews
Frank X. Napolis
Mary C. Turnquist
Deborah M. Wheeler

Domestic Branch Platform Project

Vice-President
Alan P.M. Hosey

Systems Security and Control

Asst. General Manager
Donald E. McColl

Processing and Technical Services

Senior Vice-President
Jean-Charles Petitclerc

Computer Services

Asst. General Managers
Donald Cockburn
William Mummery

Telecommunications and Technical Services

Vice-President
John A. McVicker

Asst. General Managers
John Culver
Karl B. Loney
Dale D. Smith

Systems Development

Senior Vice-President
J. Drew Brown

Domestic Systems Development

Vice-President
Michael D. Evans

Asst. General Managers
Harry Glaser
James C. Goudis
Susan E. Harrison
Gordon Jang
Oliver Stock

International, Investment and Corporate Banking and Office Automation Systems Development

Asst. General Managers
Carol E. Davis-Kiborn
William R. Flint
Lynne C. Patterson
Martin Read

Public and Corporate Affairs

Senior Vice-President and Chief Economist
Warren Jestin

Vice-President
Sandra N. Stewart

Director
Ian R. McIntosh

Scotiaction

Director
Elizabeth Lorimer

Secretary

Senior Vice-President and Secretary
R. Peter Gerad

Asst. Secretary
F. Jerome Matters

Archives

Corporate Archivist
Jane E. Nokes

Subsidiaries Corporate Services

Asst. Secretary and Director
Richard K.M. Frank

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Commercial Credit

Executive Vice-President
Edwin D. MacNevin

Senior Vice-Presidents
Peter C. Cardinal
Donald S. Teslyk

Administration

Asst. General Manager
Elizabeth A. Ross

Automotive Credit

Vice-President
Robert G. Taylor

Asst. General Managers
Douglas V. Fearman
Gerald T. Hepburn
Claude Levesque
Allan R. Ramsden
T.M. (Sandy) Sands

Commercial Credit

Vice-Presidents
David F. Ablett
Stanford A. Hierons
Larry T. Kenyon
Lorne W. Mitton
Frank I. Verseghy

Asst. General Managers
Richard O. Bubb-Clarke
Douglas J. Clemence
William P. DeBokx
Alan S. Dutch
Roger P. Harnock
Judith A. Kambeitz
J. Wendell Mountain
W. Bruce Raby
David A. Reed
Henry Reimer
Alastair P. Smith
Geza Zarand

Canadian Commercial Banking

Senior Vice-President
Warren K. Walker

Asst. General Manager
Danica M.L. Lavoie

Dealer Financial Services

Asst. General Managers
F.J. (Rick) Dixon
Robert A. Janes
Ernest C. Johnson

Independent Business and Agriculture

Vice-President
Gerald E. Chamberlain

Asst. General Managers
Robert A. Funk
Douglas O. Monteath

Lending Services

Vice-President
A. William Jensen

Asst. General Managers
Janice V. Savory
Richard T. Vanstone

Scotia Leasing

Asst. General Manager
C. Richard Jeffery

Private Banking

Senior Vice-President
J. Rory MacDonald

Retail Banking

Executive Vice-President
Robert J. Marshall

Automotive Finance and Retail Lending

Senior Vice-President
James F. O'Donnell

Automotive Finance

Vice-President
Ronald E. Porter

Asst. General Manager
W. Rick Scott

Consumer Credit

Vice-President
Timothy J. Kastelic

Credit Risk Management

Vice-President
Barbara Godin

Asst. General Managers
Maggie E. Kallion
Peter A. McLaughlin

Retail Collections

Asst. General Manager
Nolan Miller

Card Products and Marketing

Senior Vice-President
Robert H. Pitfield

Asst. General Managers
Robert J. Grant
Brian J. Hewitt
Edward Lomax
J. Pierre Wilson

Mortgages

Senior Vice-President
A. Edward Taylor

Vice-President
Ronald R.C. Boulter

Asst. General Managers
Seth M. Cechetto
William R. Marsh

Retail Deposits and Services

Vice-President
Kenneth J. Cranston

Asst. General Managers
P. Michael J. Floyd
Clifford I. Prupas
John F. Riviere

Retail Marketing

Vice-President
Barbara F. Mason

Director
Janet H. Beatty

Asst. General Managers
Richard A. Lee
Gerald J. Murphy

Advertising and Direct Marketing

Director
Richard O.E. White

Canadian Regional and Vice-President Offices

Atlantic Region

1709 Hollis Street
Halifax, Nova Scotia
B3J 3B7

Senior Vice-President
John G. Keith

Asst. General Manager
Dennis J. Migel

Credit

Vice-President
Robert A. Richardson

Asst. General Managers
Ronald R. Clarke
Jack W. Culliton

Newfoundland and Labrador

245 Water Street
St. John's, Newfoundland
A1C 5P5

Vice-President
George A. Bradbury

Asst. General Manager
James T. Furey

Branches: 63

Nova Scotia North and East

1959 Upper Water Street
18th Floor, Purdy's Wharf
Tower 1
Halifax, Nova Scotia
B3J 3N2

Vice-President
David G. Martin

Asst. General Manager
Robert F. Douglas

Branches: 36

Nova Scotia South and West

1959 Upper Water Street
18th Floor, Purdy's Wharf
Tower 1
Halifax, Nova Scotia
B3J 3N2

Vice-President
Richard G. Durham

Asst. General Manager
Ross I. Hepditch

Branches: 38

New Brunswick Northeast and Prince Edward Island

16th Floor
770 Main Street
Moncton, New Brunswick
E1C 1E7

Vice-President
Eileen M. Kearns

Asst. General Manager
Allan P. Tobin

Branches, New Brunswick
Northeast: 20
Branches, P.E.I.: 9

New Brunswick South and West

One Brunswick Square
Saint John, New Brunswick
E2L 4J5

Senior Vice-President
Barry R. Monroe

Asst. General Manager
John A. Carroll

Branches: 34

Quebec Region

Tour Scotia
Suite 400
1002 Sherbrooke Street West
Montreal, Quebec
H3A 3M3

Senior Vice-President
J. Guy Bisaillon

Asst. General Manager
Gerald L. Girard

Credit

Vice-President
Gaston M. Latour

Asst. General Managers
Jean Desjardins
Emmanuel J. Dumais
Émile Gallant

Quebec and East of Quebec

2 Place Quebec
Suite 800
Quebec, Quebec
G1R 2B5

Vice-President
Michel Ducharme

Asst. General Manager
William A.G. Sullivan

Branches: 29

East of Montreal and West of Quebec

Tour Scotia
Suite 520
1002 Sherbrooke Street West
Montreal, Quebec
H3A 3M3

Vice-President
Robert L'Ecuyer

Asst. General Manager
Richard Parent

Branches: 32

West of Montreal

Tour Scotia
Suite 200
1002 Sherbrooke Street West
Montreal, Quebec
H3A 3M3

Vice-President
E. André Roussy

Asst. General Manager
J. Valory Roy

Branches: 34

Tour Scotia

Tour Scotia
1002 Sherbrooke Street West
Montreal, Quebec
H3A 3L6

Vice-President and Manager
Robert Garneau

Asst. General Manager and Deputy Manager
François Camirand

Credit

Asst. General Manager
Lise Thériault

Branch: 1

Toronto Region

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Senior Vice-President
John A. Young

Asst. General Managers
Stephen F. Hickey
Barry M. Hillcoat

Credit

Vice-President
Jim R. Gervais
William L. Wrightson

Asst. General Managers
Frank J. Calzonetti
William Crocker
Michael D. Eades
David C. Parish

Scotia Plaza

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President and Manager
J. Brooke Frizzell

Asst. General Manager, Commercial Banking and Deputy Manager
Norman E. Matthew

Asst. General Managers
Mike Dervan
William G. Earle
Dennis J. Osborne
Frank G. Touchie

Branches: 2

Toronto Centre

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President
W. Dennis Armstrong

Asst. General Manager
Pat Krajewski

Branches: 41

Toronto Commercial

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President
R. Wayne MacDonald

Asst. General Manager
Edward Keohane

Branches: 17

Toronto East

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President
Frank A. Maguire

Asst. General Manager
Arlene E. Russell

Director – Asian Banking
Andrew Siu

Branches: 40

Toronto Midtown

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President
Wendy G. Hannam

Asst. General Manager
Paul A. Lamothe

Branches: 38

Toronto North

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President
Joe E. Brandt

Asst. General Manager
Andrea M. Ryan

Branches: 39

Toronto West

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Vice-President
Garry B. Preston

Asst. General Manager
Thomas J. Jesty

Branches: 40

Ontario Region

Scotia Plaza
Suite 2100
44 King Street West
Toronto, Ontario
M5H 1H1

Senior Vice-President
Charles B. Spencer

Asst. General Managers
Stephen H. Klein
Sheldon Shea

Credit

Vice-President
Thomas F. Mesman

Asst. General Managers
Brian C. Budgell
R. Maxwell Haynes
Keith E. Woodall

Central Ontario and Muskoka

151 Ferris Lane
4th Floor
Barrie, Ontario
L4M 6C1

Vice-President
Wayne K. Haley

Asst. General Manager
Steven G. Cannon

Branches: 34

Hamilton and Peninsula

10th Floor
1 James Street South
Hamilton, Ontario
L8P 4R5

Vice-President
Aziz Haque

Asst. General Manager
George Grieve

Branches: 38

Ontario Central and West

10th Floor
101 Frederick Street
Kitchener, Ontario
N2H 6R2

Vice-President
Hugh W. Wylie

Asst. General Manager
Heidi Ryan

Branches: 32

Ontario North

Suite 404
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Sudbury, Ontario
P3E 1A4

Vice-President
Claude S. Norfolk

Asst. General Manager
Susan Lewandowski

Branches: 29

Ontario West

One London Place
Suite 1050
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London, Ontario
N6A 5R8

Vice-President
Robert K. Lounsbury

Asst. General Manager
David M. Poole

Branches: 37

Ottawa and West

Suite 200
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320 March Road
Kanata, Ontario
K2K 2E3

Vice-President
Lorne B. Babcock

Asst. General Manager
Jack M. Lawlor

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Ottawa Centre and East

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Ottawa, Ontario
K1P 6L8

Vice-President
Albert A. Horsting

Asst. General Manager
Glenn E. McFarlane

Branches: 37

Prairie Region

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T2P 2N7

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David J. Chapman

Asst. General Manager
H. Dennis Chambers

Credit

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Asst. General Managers
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Kenneth G. Jones

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R3C 3X2

Vice-President
Bryan J. Magwood

Asst. General Manager
John L. Kowalski

Branches, Manitoba: 36
Branches, N.W. Ontario: 8

Saskatchewan

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S7K 3R1

Vice-President
Dieter W. Jentsch

Asst. General Manager
Daniel S. Smith

Branches: 51

Alberta and Northwest Territories

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Calgary, Alberta
T2P 3S8

Vice-President
M. Norman L. Kennedy

Asst. General Manager
James A. Reader

Branches: 41

Calgary and District

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T2P 3S8

Vice-President
Audrey J. Vrooman

Asst. General Manager
Ronald N. Antony

Branches: 37

Edmonton and District

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T5J 3R8

Vice-President
Laurence G. Beatty

Asst. General Manager
Michael R. Hayes

Branches,
Edmonton and area: 40

British Columbia and Yukon Region

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British Columbia
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Senior Vice-President
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Asst. General Manager
Thomas J. Malone

Credit

Vice-President
Colin D. Laight

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Geoffrey M. Atkinson
K.D. (Nick) Hoffmann

Greater Vancouver

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Vancouver,
British Columbia
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Vice-President
D. Ray Tripp

Vice-President, Asian Business Development and Manager, Chinatown Branch
David Y. Lee

Asst. General Manager
Patricia A. Armstrong

Branches: 38

British Columbia Northwest and Yukon

3rd Floor
602 West Hastings Street
Vancouver,
British Columbia
V6B 1P3

Vice-President
Beverley V. Voice

Asst. General Manager
Arthur R. Smith

Branches,
British Columbia: 34
Branches,
Yukon Territory: 1

British Columbia Southeast

4th Floor
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Vancouver,
British Columbia
V6B 1P3

Vice-President
R. Jack McKinty

Asst. General Manager
Brian A. Smith

Branches: 42

ScotiaService

Senior Vice-President
Terrance C. Maloney

Vice-President
Pamela F. LaPalme

The Bank of Nova Scotia Trust Company

Scotia Plaza
44 King Street West
Toronto, Ontario
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President and Chief Executive Officer
J. Rory MacDonald

The Bank of Nova Scotia Properties Inc.

Scotia Properties Quebec Inc.

Scotia Realty Limited

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Toronto, Ontario
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President
Andrew B. Lennox

Montreal Trustco Inc.

Montreal Trust Company

Montreal Trust Company of Canada

Place Montreal Trust
1800 McGill College Avenue
Montreal, Quebec
H3A 3K9

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Bruce R. Birmingham

Deputy Chairman
John D. Thompson

President and Chief Executive Officer
Robert W. Chisholm

Executive Vice-Presidents
Paul LeBlanc
Serge Leclaire

Senior Vice-Presidents
G. Stuart E. Gunn
Christopher E. Prince
Eugene J. Rovas

Subsidiary of Montreal Trustco Inc.

Montrusco Associates Inc.

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H3A 3N3

Chairman of the Board
Robert W. Chisholm

President and Chief Executive Officer
André Marsan

Executive Vice-President
Michel Bastien

Subsidiary of Montreal Trustco Inc.

RoyNat Inc.

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Bruce R. Birmingham

Deputy Chairmen
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John D. Thompson

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Executive Vice-President and Chief Operating Officer
David R. Swaine

Secretary-Treasurer and Chief Financial Officer
Wynn H. Rimstad

Senior Vice-Presidents
Earl M.H. Lande
Reginald A. Lashmar
Keith C. Moorse

Scotia Investment Management Ltd.

Suite 2402
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Toronto, Ontario
M5H 1H1

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Chief Investment Officer
John R. Bright

Vice-Presidents
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Anthony Genua
Jeffrey S. Gordon
Bruce J. Grantier
James L. Hamnett

Scotia Life Insurance Company

4th Floor
100 Yonge Street
Toronto, Ontario
M5H 1H1

President
Oscar Zimmerman

Vice-President
William D. Alexander

Scotia Mortgage Corporation

2201 Eglinton Avenue East
Scarborough, Ontario
M1L 4S2

President
A. Edward Taylor

Vice-President
Ronald R.C. Boulter

Scotia Discount Brokerage Inc.

Scotia Securities Inc. – Toronto

7th Floor
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Toronto, Ontario
M5H 3W4

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Senior Vice-President
Bruce E. Dickson

Vice-Presidents
Jeffrey L. Kirk
Charles J. Mecke
Woodrow L. Pelley

Scotia Securities Inc. – Halifax

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Halifax, Nova Scotia
B3J 2M4

Vice-President
Daniel A. Theriault

Scotia Securities Inc. – Montreal

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Montreal, Quebec
H3A 3M3

Vice-President
Donal P. Ryan

Scotia Securities Inc. – Calgary

Scotia Centre
7th Floor
700-2nd Street S.W.
Calgary, Alberta
T2P 2N7

Acting Vice-President
Nancy J. Bowley

Scotia Securities Inc. – Vancouver

2nd Floor
602 West Hastings Street
Vancouver, British Columbia
V6B 1P3

Vice-President
John F. Welsh

ScotiaMcLeod Inc.

P.O. Box 402
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40 King Street West
Toronto, Ontario
M5H 3Y2
(59 offices worldwide)

For personnel and subsidiary listing, see Investment and Corporate Banking Subsidiaries on page 110.

Scotia Plaza
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Toronto, Ontario
M5H 1H1

Senior Executive Vice-President
Richard E. Waugh

Executive Vice-President
Barry R.F. Luter

Senior Vice-Presidents
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William J. Menear
Seth M. Mersky
Borden R. Osmak

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Robert V. Finlay
Stephen P. Hart
Michael G. Locke

Asst. General Managers
Anthony G. Best
Robert J. Boomhour

Investment and Corporate Banking, Administration

General Manager
David W. Whitaker

Asst. General Manager, Human Resources
Brian D. McKenzie

Comptroller
Michael P. Onions

Scotia Corporate and Commercial Automated Services

Senior Vice-President
Raymond G. Darke

Vice-President
Mark A. Boot

Asst. General Managers
Carmen Giordano
James M. Whelpley

Corporate Banking, Canada

Calgary
Scotia Centre
700-2nd Street S.W.
Calgary, Alberta
T2P 2N7

Vice-President
J. Grant McNeil

Halifax
4th Floor
1709 Hollis Street
Halifax, Nova Scotia
B3J 3B7

Asst. General Manager
G. Thomas Brennan

Montreal
3rd Floor
1002 Sherbrooke Street West
Montreal, Quebec
H3A 3M3

Vice-President
René Faribault

Vancouver
650 West Georgia Street
Vancouver,
British Columbia
V6B 4N7

Vice-President
Donald R. German

Real Estate Banking

Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Senior Vice-President
John E. Oliver

Vice-President
James A. Gaiger

Asst. General Managers
Bruce C. Forcey
Melvin H. Hallin
Victor W. Tryon

Real Estate Banking Offices

Calgary
Scotia Centre
700-2nd Street S.W.
Calgary, Alberta
T2P 2N7

Vice-President
Robert A. Gray

New York
1 Liberty Plaza
New York, N.Y. 10006

Vice-President
Melvin J. Mandelbaum

Vice-Presidents
Robert H. Boese
Barbara J. Brown

San Francisco
48th Floor
101 California Street
San Francisco,
California 94111

Vice-President
B. Lorne Ogmundson

Vancouver
650 West Georgia Street
Vancouver,
British Columbia
V6B 4N7

Vice-President
Donald R. German

Corporate Banking, U.S.A.

Agencies

Atlanta
Suite 2700
600 Peachtree Street N.E.
Atlanta, Georgia 30308

Vice-President
William J.G. Brown

New York
1 Liberty Plaza
New York, N.Y. 10006

Executive Vice-President
Barry R.F. Luter

Vice-Presidents
John W. Campbell
James N. Tryforos

Vice-Presidents
Donald J. Dupont
J. Allan Edwards
Terry K. Fryett
Steven E. Lockhart
Colin W. Medhurst
Paul A. Schultz

Agent and Director
William R. Ebbels

San Francisco
48th Floor
101 California Street
San Francisco,
California 94111

Vice-President
James S. York

Vice-Presidents
John A. Quick
Maarten Van Otterloo

Branches

Boston
101 Federal Street
Boston, Massachusetts
02110

Vice-President
Terrance M. Pitcher

Portland
Suite 750
888 S.W. Fifth Avenue
Portland, Oregon 97204

Vice-President
Michael Brown

Representative Offices

Chicago
Suite 3700
181 West Madison Street
Chicago, Illinois 60602

Vice-President
Christopher J. Allen

Vice-Presidents
James S. Coleman
Gregory B. Hurst
J. Fraser Williams

Houston
Suite 3000
1100 Louisiana Street
Houston, Texas 77002

Vice-President
Larry D. Lloyd

Vice-Presidents
Paul G. Gonin
Joseph P. Lattanzi

Corporate Banking, Europe

England
P.O. Box 534
Scotia House
33 Finsbury Square
London, England
EC2A 1BB

Senior Vice-President
John C. Eby

Vice-Presidents
Gerald P. Ferris
Kevin R. Ray
John W. Stevens

Corporate Banking, Japan

Japan
Fukoku Seimei Building
21st Floor
2-2 Uchisaiwaicho
2-Chome, Chiyoda-Ku
Tokyo 100, Japan

Vice-President
Robert A. Ulmer

Vice-President and Manager
Hideo Shiozaki

Sumitomo-Seimei
Midosuji Building
14th Floor
14-3 Nishi-Tenma,
4-Chome
Kita-Ku
Osaka 530, Japan

Manager
Kohji Kawabata

Credit

Corporate Credit

Senior Executive Vice-President
John F.M. Crean

Senior Vice-Presidents
Richard W. Hale-Sanders
Barry J. Webb

Vice-Presidents
John B. Chisholm
G. Walter Miller
Allan G. Portis
David W. Ritcey

Asst. General Managers
William R. Barrett
Alexander R. Bortoluzzi
Leny A.S. Dick
T. Carol Gibson
Donald S. Gillies
Noel G. Green
William H. Hunter
David J. Konarek
Steven Lucken
Esther Mui
William T. Scott
Jocelyn F. Todd

Real Estate Credit

Senior Vice-President
John W. Agnew

Vice-Presidents
T. Roger Gardham
Donna M. Groskorth

Asst. General Manager
Aleida M. Scholz

Investment Banking Credit and Credit Policy

Executive Vice-President
S. Dennis N. Belcher

Compliance

Senior Vice-President
L. Louise Cannon

Asst. General Manager
John E. Oldham

Credit Policy and Information Systems

Senior Vice-President
Ameen Karmally

Vice-President
Edward D. Moriarty

Asst. General Managers
David R. Crawford
Susan K. Foster
Robert R. Peck
George W. Van Dyk

Investment Banking Credit

Senior Vice-President
Peter F.J. Heffernan

Vice-President
Fred M. Goddard

Asst. General Managers
Krys Green
Richard Haines
James P.B. Yhap

Special Accounts Management

Vice-President
Jameel E. Sethi

Asst. General Managers
Ian F. Crook
Joanne M. Drystek
D. Norman Gillespie

Investment Banking

Scotia Plaza
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M5H 1H1

Executive Vice-President
Robert L. Brooks

Investments

Senior Vice-President
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Asst. General Manager
Gordon R. Elliot

Capital Funding

Asst. General Manager
C. David Bourns

Resources and Operations

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Mark I. Greenspan

Vice-Presidents
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Maurice C. Desnoyer
Gail J. Smith

Agent and Director
William R. Ebbels (New York)

Asst. General Managers
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Christopher G. Massiah
Kimberlee B. McKenzie
Lorne G. Rintoul
Gary L. Robinson
Stuart J. Spence
Charles M. Wickett

North America

Foreign Exchange and Precious Metals

Senior Vice-President
Robert F.S. Jarrett

Vice-Presidents
John D. Nicholson
David C. Turner

Asst. General Managers
Garry B. Fredrickson
Gary I. Hanson

Funding, Derivative Products and Securities Lending

Senior Vice-President
Thomas A. Healy

Vice-Presidents
Sydney Broer
Gary J. Bundscho
M. Geoffrey Harvey
Gail L. Heney

Asst. General Managers
George S. Christoffer
James W. MacKinnon
Craig J.H. Shepherd
Sandra Taube-Godard
John P. Tkach
Brodie A. Townley
Anil Vohra

Investment Banking Centres

Atlantic Investment Banking Centre

1709 Hollis Street
Halifax, Nova Scotia
B3J 1W1

Senior Manager
Steven E. Boecker

Quebec Investment Banking Centre

2nd Floor
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Senior Manager
Daniel P. Donatelli

Ontario Investment Banking Centre

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Toronto, Ontario
M5H 1H1

Asst. General Manager
Wilson G. Dow

Manitoba and Saskatchewan Investment Banking Centre

200 Portage Avenue
Winnipeg, Manitoba
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Senior Manager
Walter Sikora

Alberta Investment Banking Centre
Scotia Centre
700-2nd Street S.W.
Calgary, Alberta
T2P 2N7

Senior Manager
Richard M. Masters

Pacific Investment Banking Centre
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Senior Manager
Todd K. McLaughlin

United States

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New York, N.Y. 10006

Vice-President and Treasurer
P. Conor O'Reilly

Advisory Services Unit
Vice-Presidents
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Barry Delman

Asst. General Managers
Gerald L. Ferrentino
R. Gordon MacDougall

Foreign Exchange Sales and Trading
Asst. General Manager
J. Michael Tomczak

Chief Dealer
Robert Donaldson

Funding
Vice-President
Maurice Lennon

Asst. General Manager
Frank J. Pinon

Money Market Services
Asst. General Manager
Irene M. Stevens

Europe

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Executive Vice-President
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Vice-President and Deputy Head
Ronald N. Brandman

Capital Markets
Asst. General Managers
Peter N. Burge
Paul Hayes

Correspondent Banking and Trade Finance
Asst. General Manager
H. David Keeling

Options Products
Asst. General Manager
Nicholas S.T. Kibblewhite

Precious Metals
Vice-President
Ian J. McCannah

Treasury Trading
Vice-President
David W. Ramsay

Asst. General Manager/Chief Trader
Glen W.D. Martin

Resources
Asst. General Manager
James D. Scott

West End Branch
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London, England
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Manager
John S. Farrell

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Tokyo 100, Japan

Asst. General Manager
Jeffrey P. Fairley

Investment and Corporate Banking Subsidiaries

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Gordon F. Cheesbrough

President, Director and Deputy Chief Executive Officer
W. David Wilson

Deputy Chairman and Director, Mergers and Acquisitions
James S.A. MacDonald

Deputy Chairman and Director
Daniel F. Sullivan

Executive Vice-President and Chief Financial Officer
T. Hugh McNabney

Executive Vice-President and Director, Retail
Alexander O. Miller

Executive Vice-President and Director, Institutional Equities
John R.S. Pepperell

Executive Vice-President and Director, Fixed Income
J. Anthony Woodward

ScotiaMcLeod (U.S.A.) Inc. – New York

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10006

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Managing Director
Ian A. Berry

ScotiaMcLeod Inc. – Hong Kong

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Vice-President and Director
James Y. So

ScotiaMcLeod Inc. – Tokyo

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Vice-President and Director
Toshinori Okubo

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Channel Islands
JE2 3PA

Managing Director
Kenneth C. Brierley

Subsidiary of The Bank of Nova Scotia Channel Islands Limited

The Bank of Nova Scotia Trust Company Channel Islands Limited

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Channel Islands
JE2 3PA

Managing Director
Kenneth C. Brierley

The Bank of Nova Scotia International Limited

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Nassau, Bahamas

Managing Director
Christopher A. Barnes

Subsidiary of The Bank of Nova Scotia International Limited

BNS International (Barbados) Limited

P.O. Box 277
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International Trading Centre
Warrens, St. Michael
Barbados

Managing Director
Walter P. Meinig

Subsidiary of The Bank of Nova Scotia International Limited

Scotiabank (Ireland) Limited

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Managing Director
Peter Kluge

Asst. General Manager
Robert Masters

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Scotia Realty Bahamas Limited

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Rawson Square
P.O. Box N7545
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President
Anthony C. Allen

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New York, N.Y. 10006

President
Barry R.F. Luter

Scotiabank (U.K.)Ltd.

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Managing Director
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Executive Vice-President
Malcolm C. Johnston

Latin America

Executive Vice-President
William P. Sutton

Vice-President
Brian E. Maloney

Asst. General Managers
Linda Martineau
C. Glen Tugman
Peter Wilson

Caribbean

Senior Vice-President
Douglas H. Stewart

Credit

Senior Vice-President
S.M. (Mickey) Kitchell

Vice-Presidents
Ralph T. Chan
Brian G. Cunningham

Asst. General Managers
Danny K.H. Chia
Mark Green
Douglas J. MacDiarmid
Geoff D. Wylie

Trade Finance and Correspondent Banking

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Asst. General Managers
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James G. Liddell
John M. Lightbody
H. Ettie Torry-Atkinson

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Asst. General Manager
H. Arnold Brown

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Vice-President
Mario J. Nobrega

Comptroller
Susan Moellers

Marketing
Director
Paul J. Cusimano

Retail Lending

Asst. General Manager
James V. Louttit

Branches, Representative Offices and Subsidiaries

Anguilla

P.O. Box 250
The Valley
Anguilla, W.I.

Manager
David A. Bodden

Antigua

P.O. Box 342
St. John's, Antigua

Manager
Wayde A. Christie

Argentina

Representative Office
Corrientes 456
11th Floor
Buenos Aires (1366)
Argentina

Vice-President and Managing Director, Latin America
Roy D. Scott

Bahamas

Vice-President's Office
Scotiabank Building
Rawson Square
P.O. Box N7518
Nassau, Bahamas
(13 branches)

Vice-President, Bahamas and Manager, Nassau Branch
Anthony C. Allen

The Bank of Nova Scotia Trust Company (Bahamas) Limited
Scotiabank Building
Rawson Square
P.O. Box N3016
Nassau, Bahamas

Managing Director
Christopher A. Barnes

Also see subsidiaries under Cayman Islands and Hong Kong

Barbados

Vice-President's Office
P.O. Box 202
Bridgetown, Barbados
(8 branches)

Vice-President, Barbados and Manager, Bridgetown Branch
Yvon L. Lessard

The Bank of Nova Scotia Trust Company (Caribbean) Limited
Broad Street
P.O. Box 202
Bridgetown, Barbados

Managing Director
Yvon L. Lessard

Subsidiary of The Bank of Nova Scotia International Limited

Scotia Insurance (Barbados) Limited
P.O. Box 277
3rd Floor
International Trading Centre
Warrens, St. Michael
Barbados

Managing Director
Walter P. Meinig

Subsidiary of Montreal Trustco Inc.

Montbados Insurance Company
Masson Building
P.O. Box 1262
Hincks Street
Bridgetown, Barbados

President and Chief Executive Officer
Walter P. Meinig

Belize

P.O. Box 708
Belize City, Belize
(4 branches)

Manager
José R. Rosado

Cayman Islands

P.O. Box 689
Grand Cayman,
Cayman Islands
(2 branches)

Vice-President, Cayman Islands and Manager, George Town Branch
Colin D.I. McKie

Subsidiary of The Bank of Nova Scotia Trust Company (Bahamas) Limited

The Bank of Nova Scotia Trust Company (Cayman) Limited
P.O. Box 501
Cardinal Avenue
Grand Cayman,
Cayman Islands

Managing Director
Ronald E. Tompkins

China
(People's Republic of)

Representative Office
1205-06 China World Tower
China World Trade Centre
No.1 Jianguomenwai Avenue
Beijing 100004
People's Republic of China

Representative
Bohua Guo

Representative Office
Unit 2206, 22nd Floor
North Tower
Guangzhou World Trade Centre
371-375 Huan Shi Dong Road
Guangzhou 510095
People's Republic of China

Representative
Kenneth K. Lam

Dominica

28 Hillsborough Street
P.O. Box 520
Roseau
Commonwealth of Dominica

Manager
C. Monte Smith

Dominican Republic

Vice-President's Office
Apartado 1494
Aves. John F. Kennedy and Lope de Vega
Santo Domingo, Dominican Republic
(13 branches)

Vice-President, Dominican Republic and Manager, Santo Domingo Branch
Ariel D. Perez

Egypt
(Arab Republic of)

3 Ahmed Nessim Street
Postal Code 11511
Giza, Cairo
P.O. Box 656
Arab Republic of Egypt

Manager
Mohamed Jahangir

Greece

37 Panepistimiou Street
P.O. Box 3206
GR 102, 10 Athens
Greece
(5 branches)

Vice-President, Greece and Manager, Athens Branch
Peter F. Van Schie

Grenada

P.O. Box 194
St. George's, Grenada
(2 branches)

Manager
Patrick M. Andrews

Guyana
(The Cooperative Republic of)

P.O. Box 10631
Georgetown, Guyana

Manager
Sivam K. Subramaniam

Haiti

18 Rue des Miracles
P.O. Box 686
Port-au-Prince, Haiti
(3 branches)

Manager
Claude E. Marcel

Hong Kong

Pacific Regional Office
25th Floor
United Centre
95 Queensway
Hong Kong

Executive Vice-President
Kevin S. Rowe

Vice-President, Administration
Colin E. Sheen

Asst. General Manager, Trade Finance and Correspondent Banking
Gary M. Gorton

Branch
25th Floor
United Centre
95 Queensway
Hong Kong

Vice-President, Hong Kong and China and Manager, Hong Kong Branch
Robin S. Hibberd

BNS International (Hong Kong) Limited
25th Floor
United Centre
95 Queensway
Hong Kong

Managing Director
Robin S. Hibberd

Subsidiary of The Bank of Nova Scotia Trust Company (Bahamas) Limited

Scotiatrust (Asia) Limited
25th Floor
United Centre
95 Queensway
Hong Kong

Managing Director
Clement C.H. Tay

India

Mittal Tower
Ground Floor, "B" Wing
P.O. Box 11507
Nariman Point
Bombay 400021, India

Vice-President and Manager
Alan Brodie

Ground Floor
Dr. Gopal Das Bhavan
28, Barakhamba Road
New Delhi 110001

Manager
Bhaskar Desai

Ireland
(The Republic of)

I.F.S.C. House
Custom House Quay
Dublin 1
The Republic of Ireland

Vice-President and Manager
Brian S. Perry

Jamaica

The Bank of Nova Scotia Jamaica Limited
Managing Director's Office
Scotiabank Centre
Duke and Port Royal Streets
P.O. Box 709
Kingston, Jamaica
(45 branches)

Managing Director
Anthony B. Lindo

General Manager, Credit
Orville F. Walker

District General Managers
Winston P. Barrett
William E. Clarke

General Manager, Administration
A. Carman K. Hudson

Asst. General Managers, Credit
Neville A. Baker
Donald O. Williams

Asst. General Manager, Finance
Dwight D. Richardson

Asst. General Manager, Marketing
William A. Lawrence

Asst. General Manager, Operations
Robert G. Berry

Asst. General Manager, Personnel
Keith A. Calder

Asst. General Manager and Manager, Scotiabank Centre
Terence S. McCoy

Subsidiaries of The Bank of Nova Scotia Jamaica Limited

Scotiabank Jamaica Building Society
Managing Director's Office
Scotiabank Centre
Duke and Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Manager
Patrick W. Tucker

Scotiabank Jamaica Trust and Merchant Bank Limited
30 Duke Street
P.O. Box 627
Kingston, Jamaica

Managing Director
Anthony B. Lindo

Scotia Jamaica Insurance Agency Limited
Managing Director's Office
Scotiabank Centre
Duke and Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Chairman and Managing Director
A. Carman K. Hudson

The West India Company of Merchant Bankers Limited
Managing Director's Office
Scotiabank Centre
Duke and Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Managing Director
Anthony B. Lindo

Also see Other Associated International Organizations

Korea (Republic of)

The Korea Chamber of Commerce and Industry Building, 9th Floor
#45, 4-KA
Namdaemun-RO
Chung-Ku, Seoul 100-677
Republic of Korea

Vice-President and Manager
Claude D. Morin

Malaysia

The Bank of Nova Scotia Berhad
Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Locked Bag No. 11056
50990 Kuala Lumpur
Malaysia

Managing Director
Leon M. Csabak

Mexico

Representative Office
Hamburgo 213
Piso 10
06600 Mexico, D.F.

Vice-President and Senior Representative
Luis T. Ivandic

Netherlands Antilles

P.O. Box 303
Philipsburg, St. Maarten
Netherlands Antilles
(2 branches)

Manager
Robert G. Judd

Also see Other Associated International Organizations

Panama

Branch and Representative Office
Edificio Bonanza
Calle Manuel Maria Icaza
Campo Alegre
P.O. Box 7327
Panama 5 R.P.

Manager and Representative
Marcela J. Gonzalez-Delgado

Philippines

9th Floor
Solidbank Building
777 Paseo de Roxas
Makati, Metro Manila
Philippines

Manager
M.S. (Corito) Sevilla

Also see Other Associated International Organizations

Puerto Rico

Hato Rey Branch
Plaza Scotiabank
4th Floor
273 Ponce de Leon Avenue
Hato Rey, Puerto Rico
00917

Senior Vice-President
David F. Babensee

Branch Manager
Peter Evelyn

Scotiabank de Puerto Rico

Executive Offices
Plaza Scotiabank
273 Ponce de Leon Avenue
Hato Rey, Puerto Rico
00917
(11 branches)

Chairman and Chief Executive Officer
David F. Babensee

President and Chief Operating Officer
Ivan A. Méndez

Senior Vice-President, Commercial Banking
Victor M. Irizarry

Senior Vice-President, Finance and Administration
John S. Bailey

Vice-President, Retail Banking
Roberto E. Córdova

St. Kitts and Nevis

Fort Street
P.O. Box 433
Basseterre, St. Kitts
(2 branches)

Manager
John H. Caldwell

St. Lucia

6 William Peter Boulevard
P.O. Box 301
Castries, St. Lucia
(3 branches)

Vice-President, St. Lucia and Manager, Castries Branch
Robert Haines

St. Vincent

P.O. Box 237
Kingstown, St. Vincent

Manager
Timothy J. Augustin

Singapore

#15-01, Ocean Building
10 Collyer Quay
Singapore 0104
Republic of Singapore

Branch Manager
Y.K. Heng

Manager, Private Banking
Sami Midani

The Bank of Nova Scotia Asia Limited

#15-01, Ocean Building
10 Collyer Quay
Singapore 0104
Republic of Singapore

Managing Director
Richard W.S. Joll

Taiwan

8th Floor
Union Enterprise Plaza
109 Min Sheng E. Road
Sec. 3
Taipei, Taiwan R.O.C.

Manager
Benny S.H. Cheong

Thailand

Bangkok International Banking Facility
14th Floor
Sathorn Thani Building 1
90/37 North Sathorn Road
Bangkok 10500, Thailand

Vice-President and Manager
Kobsak Duangdee

Also see Other Associated International Organizations

Trinidad and Tobago

See Other Associated International Organizations

Turks and Caicos Islands

Harbour House
P.O. Box 132
Grand Turk
Turks and Caicos Islands

Manager
Claudia R. Coalbrooke

Town Centre Mall
P.O. Box 15
Providenciales
Turks and Caicos Islands

Manager
John E. Alder

Virgin Islands (British)

P.O. Box 434
Road Town, Tortola
British Virgin Islands

Manager
Terry C. Bell

Virgin Islands (U.S.)

214C Altona and Welgunst
P.O. Box 420
Charlotte Amalie
St. Thomas,
U.S. Virgin Islands
00804

Vice-President, St. Thomas and Manager, Charlotte Amalie Branch
James A. Batterton

Tutu Park Mall
P.O. Box 503355
St. Thomas,
U.S. Virgin Islands
00804

Manager
J. Kevin MacKenney

Queen Mary Highway
P.O. Box 773
Christiansted
St. Croix,
U.S. Virgin Islands
00821-0773

Vice-President, St. Croix and Manager, Sunny Isle Branch
Stephen F. Cozier

43 King Street
P.O. Box 280
Christiansted
St. Croix,
U.S. Virgin Islands
00821-0280

Manager
Maxime D. Charles

Sunshine Mall
Nal Estate Cane
Fredriksted, St. Croix
U.S. Virgin Islands
00840

Manager
Reid G. Laird

Chile

Banco Sud Americano
Morande 226
Casilla 90-D
Santiago l, Chile

Chairman
José Borda Aretxabala

General Manager
Juan Luis Köstner

Special Asst. to the General Manager
Anatol von Hahn

Jamaica

Affiliated with The Bank of Nova Scotia Jamaica Limited

British Caribbean Insurance Company Limited
36 Duke Street
Kingston, Jamaica

Chairman
Joseph M. Matalon

General Manager
Leslie Chung

Industrial Finance Corporation Limited
36 Duke Street
Kingston, Jamaica

Chairman
Cedric E. Stephens

Managing Director
Sonia M. Brown

International Insurance Brokers Limited
59 Half Way Tree Road
Kingston 10, Jamaica

Chairman
Cedric E. Stephens

Managing Director
Vasle Atkinson

Industrial Finance Holdings Limited
36 Duke Street
Kingston, Jamaica

Chairman
Joseph M. Matalon

Managing Director
Cedric E. Stephens

Sigma Investment Management Systems Limited

Sigma Unit Trust Managers Limited

33 Harbour Street
Kingston, Jamaica

Chairman
Herbert A. Hall

Managing Director
Sandra M.E. Shirley

Mexico

Grupo Financiero Inverlat S.A. de C.V.
Blvd. M. Avila Camacho 1
Col. Polanco
Mexico D.F., 11560
Mexico

Chairman
Agustin F. Legorreta

Managing Director, Banking and Brokerage Operations
Francisco Alcala

Netherlands Antilles

Maduro & Curiel's Bank N.V.
P.O. Box 305
Willemstad, Curaçao
Netherlands Antilles
(16 branches)

Chairman of the Board and General Managing Director
Lionel Capriles

Managing Director
Lawrence K. Lynch

Subsidiaries of Maduro & Curiel's Bank N.V.

Aruba

Caribbean Mercantile Bank N.V.
(6 branches)

Caribbean Mercantile Credit Company N.V.

Bonaire

Maduro & Curiel's Bank (Bonaire) N.V.
(3 branches)

Curaçao

Maduro & Curiel's Credit Company N.V.

Maduro & Curiel's Insurance Services N.V.

N.V. De Curaçaosche Hypotheekbank

N.V. De Spaar-en Beleenbank van Curaçao

Maduro & Curiel's Trust Company N.V.

Affiliate of Maduro & Curiel's Bank N.V.

Sun Alliance Insurance (Antilles) N.V.

St. Maarten

The Windward Islands Bank Limited
(3 branches plus 1 branch in St. Eustatius)

Philippines

Solidbank Corporation
Solidbank Building
777 Paseo de Roxas
1200 Makati
Metro Manila
Philippines

President and Chief Executive Officer
Deogracias N. Vistan

Executive Vice-Presidents
Christopher A. Bell-Knight
Roland L.R. Borotra
Jose L. Querubin

Senior Vice-Presidents
Michelangelo R. Aguilar
Rene V. Jazmines
Isabelita M. Papa
Henry S. Valdez

Senior Vice-President and Chief Auditor
Jorge S. Payawal

Thailand

Poonpipat Finance and Securities Plc.
17th Floor
Sathorn Thani Building 1
90/46-48 North Sathorn Road
Bangkok 10500, Thailand

Chairman
Sukit Wanglee

Chairman, Executive Committee
Suchart Wanglee

President
Rachai Wattanakasaem

Senior Executive Vice-Presidents
Robert D. Rayner
Wanida Sopa

Senior Vice-President
Alan C.Y. Kam

Trinidad and Tobago

The Bank of Nova Scotia Trinidad and Tobago Limited
Scotia Centre
Park and Richmond Streets
Port of Spain, Trinidad
(21 branches)

Managing Director
Ronald A. Chan

General Managers
David M. Brierley
William G. Carson
Ian B. deSilva

General Manager, Corporate Banking Centre
Rod M. Reynolds

Subsidiary of The Bank of Nova Scotia Trinidad and Tobago Limited

The Bank of Nova Scotia Trust Company of Trinidad and Tobago Limited
Scotia Centre
Park and Richmond Streets
Port of Spain, Trinidad
(2 branches)

Managing Director
Ronald A. Chan

General Manager
Phillip H. Hernandez

Information

Shareholder Information

Annual Meeting
Shareholders are invited to attend the 163rd Annual Meeting of The Bank of Nova Scotia, to be held on January 17, 1995, at the Sheraton Halifax Hotel, Halifax, Nova Scotia, Canada, beginning at 10:00 a.m. (Atlantic time).

Transfer Agent
Montreal Trust Company of Canada
151 Front Street West
8th Floor
Toronto, Ontario, Canada
M5J 2N1

Shareholdings and Dividends
Information regarding your shareholdings and dividends may be obtained by writing the Secretary's Department
The Bank of Nova Scotia
Scotia Plaza
44 King Street West
Toronto, Ontario, Canada
M5H 1H1
or by calling (416) 866-6179
or by faxing (416) 866-5090.

Direct Deposit Service
Shareholders may have dividends deposited directly into accounts held at financial institutions which are members of the Canadian Payments Association. To arrange direct deposit service, please write to the Secretary of the Bank or the Transfer Agent.

Dividend and Share Purchase Plan
Common and preferred shareholders wishing to acquire additional common shares of the Bank may take advantage of a cost-free Dividend and Share Purchase Plan. The Plan provides a convenient method for eligible shareholders either to invest cash dividends in new common shares of the Bank, or to receive dividends in the form of additional common shares of the Bank (stock dividends), in each case valued at 95% of the average market price, as defined in the Plan. As well, eligible shareholders may invest up to $20,000 per fiscal year of the Bank and debenture holders may apply interest received on fully registered Bank subordinated debentures in the purchase of additional common shares at 100% of the average market price, as defined in the Plan.

Participants pay no brokerage commission or service charges of any kind, and all administrative costs of the Plan are paid by the Bank. For additional information on participation in the Plan, please write to the Transfer Agent.

Investor and Analyst Contact
Additional financial information about the Bank may be obtained by writing to the Finance Department
Investor Relations
The Bank of Nova Scotia
Scotia Plaza
44 King Street West
Toronto, Ontario, Canada
M5H 1H1
or by calling (416) 866-5982
or by faxing (416) 866-7867.

Listing of Shares
Common shares of the Bank are listed for trading on the Vancouver, Alberta, Winnipeg, Toronto, Montreal and London stock exchanges. Options on the Bank's common shares are listed for trading on the Toronto exchange.

Series 1 preferred shares of the Bank are listed on the Vancouver, Toronto and Montreal stock exchanges.

Series 4, 5, 6 and 7 preferred shares of the Bank are listed on the Toronto and Montreal stock exchanges.

Stock Symbols
The trading symbols for the Bank's shares on Canadian exchanges are:
Common–BNS
Series 1, preferred–BNS.PR.A
Series 4, preferred–BNS.PR.C
Series 5, preferred–BNS.PR.D
Series 6, preferred–BNS.PR.E
Series 7, preferred–BNS.PR.F.

The CUSIP numbers for the Bank's shares on Canadian exchanges are:
Common–064149 10 7
Series 1, preferred–064149 20 6
Series 4, preferred–064149 50 3
Series 5, preferred–064149 60 2
Series 6, preferred–064149 70 1
Series 7, preferred–064149 80 0.

Dividend Record and Payment Dates
Subject to approval by the Board of Directors, the payment date for common and all preferred shares, except the preferred Series 1, is usually the third last business day of each fiscal quarter, being the months of January, April, July and October.

The record date is the first Tuesday of the month in which dividends are paid.

The payment date for the preferred Series 1 is the 15th of each of the months noted above and the record date is the last day of the preceding month.

Valuation Day Price
For Canadian income tax purposes, The Bank of Nova Scotia's common stock was quoted at $31.13 per share on Valuation Day, December 22, 1971. This is equivalent to $5.188 after adjustment for the two-for-one stock split in 1976 and the three-for-one stock split in 1984.

Duplicated Communication
Some registered holders of The Bank of Nova Scotia shares might receive more than one copy of shareholder mailings, such as this Annual Report. Every effort is made to avoid duplication, but when shares of the same class or series are registered in different names and/or addresses, multiple mailings result.

Shareholders who receive, but do not require, more than one mailing for the same ownership are requested to write to the Secretary of the Bank or the Transfer Agent and arrangements will be made to combine the accounts.

General Information

Published Information
Information published by the Bank for its shareholders and others, including the Annual Report, Quarterly Reports and the Annual Information Form, may be obtained by writing to
Public and Corporate Affairs
The Bank of Nova Scotia
Scotia Plaza
44 King Street West
Toronto, Ontario, Canada
M5H 1H1.

Version française
Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez écrire à l'adresse suivante :
Communications,
La Banque de Nouvelle-Écosse,
1002, rue Sherbrooke ouest,
Montréal (Québec),
Canada
H3A 3M3.

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Produced by
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The Scotiabank 1994 Annual Report uses environmentally responsible stock. The entire report is printed on stock comprised of a minimum 50% reclaimed fibre with at least 10% from post-consumer waste. All stocks are acid-free, alkaline sheets.

Printed in Canada

Scotiabank

Executive Offices
Scotia Plaza
44 King Street West
Toronto, Ontario
Canada M5H 1H1